



## GST and QST: Particularities

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### Description

Generally, the goods and services tax (GST) and the Québec sales tax (QST) are applicable to most products and services. The GST and QST are collected at each step of the production and marketing of a good or service. Most transactions conducted in Canada are subject to the GST, at a rate of 5%, since January 1, 2008. In addition, transactions conducted in Québec are also subject to the QST, at a rate of 9.975%. The QST is calculated on the sales price before GST.

The application of GST and QST varies depending on the category of goods and services.

### Food (goods and services provided at the grocery or convenience store)

Foodstuffs purchased at a grocery or convenience store for consumption at home are generally zero-rated (see Definitions). However, certain products are taxable, including:

- portions of less than 500 ml of frozen yogurt or other product of the same type
- certain ready-to-eat foods (e.g. prepared salads)
- fruit juice in individual portions of less than 600 ml
- candies and snack foods
- sweet pastries in quantities of less than 6
- soft drinks
- carbonated mineral water
- hot drinks (e.g. coffee, tea)
- beer and wine
- newspapers and magazines

### Arts and culture

Supplies related to the arts and culture are taxable. However, certain supplies are exempt (see Definitions), including:

**tickets for a not-for-profit show put on by unpaid amateurs**

**art classes addressed** primarily to children under 15, given by a public sector body

### Fuel

In addition to GST and QST, fuel tax is applied to fuel sales. The fuel tax rate depends on the type of fuel and the region where it is sold.

### Health care institutions

Generally, there are no taxes on:

- the provision of health services in a hospital, nursing home, extended care home or psychiatric institution. This is also the case for the provision of home care, ambulance services, and meals and medical devices for patients or residents of a health care institution.
- health and dental care, except surgical or dental services provided for aesthetic purposes as opposed to medical or reconstructive purposes

Services that are not related to health but are offered by a health care institution, such as parking and meals for visitors or staff, are taxable.

### Educational institutions

The provision by an educational institution of teaching services, extra-curricular services for elementary and secondary students, and diploma courses, is exempt from GST and QST.

However, the following goods and services are taxable:

- food and beverages sold in vending machines
- commercial activities, such as the sale of T-shirts with the school logo
- most language courses, other than those that are part of a program to teach French or English as a second language
- recreational courses for persons over 14 (e.g. dancing, skating, painting), except music courses, which are not taxable

- meals eaten at the cafeteria of a CÉGEP or university (unless the person purchases a card for 10 meals a week over a continuous period of at least 1 month)

**Note**

Meals eaten at the cafeteria of an elementary or secondary school are only exempt from GST and QST if the cafeteria mainly serves meals to elementary or secondary students.

**Motor vehicles**

Sales of motor vehicles, motorcycles, trucks and all-terrain vehicles, whether new or used, are subject to QST, which is collected by the Société de l'assurance automobile du Québec. They are also subject to GST, except in the case of the sale of a used vehicle between individuals.

**Municipal services**

Generally, the provision of services by a city or municipality is exempt from taxes.

However, the provision of certain services considered to be commercial activities (e.g. tree pruning, snow removal from private land, parking meters, municipal parking, etc.) is subject to GST and QST.

**Real estate**

GST and QST apply to the sale of:

- new residential buildings
- residential buildings that have received major renovations
- construction materials
- construction services
- land

A private individual who purchases a new or substantially renovated residential building may be entitled to a partial rebate of GST and QST.

**Financial institutions**

Provision of the following financial services is exempt from taxes:

- deposit and credit services, traveller's cheques and foreign currency
- fees charged for NSF cheques
- charges for the use of automated teller machines

However, certain professional and administrative services are taxable (GST and QST), such as the rental of a safety deposit box.

**Books**

Sales of the following products are only subject to GST, since they are zero-rated for QST:

- printed books and their updates
- audiobooks
- printed books that come with a read-only electronic medium or access to a website, provided that both parts form a whole of which the book is the main component

The following organizations are entitled to a full rebate of GST paid on books and periodicals (except magazines, newspapers, catalogues and other promotional material):

- public libraries
- schools, universities and public colleges
- municipalities
- charities and non-profit organizations in the field of literacy training

**Flea markets, auctions and exhibitions**

A merchant who sells new or used merchandise in public places, such as flea markets, auctions and exhibitions, is required to collect GST and QST and to remit them to Revenu Québec, unless the merchant is a small supplier (see Definitions).

**Insurance premiums**

Insurance premiums are exempt from GST and QST.

However, they are subject to an insurance premium tax of 9%, unless the premium is tax-exempt, in which case the insurance premium tax is not applicable.

Premiums for individual insurance (insurance on the life, physical integrity or health of the insured, including illness, disability and hospitalization) are exempt from the insurance premium tax.

### **Products for infants**

The following goods are zero-rated under the QST, but taxable under the GST:

- baby diapers
- children's training pants
- items used to breastfeed
- purchase or rental of a breast pump
- baby bottles
- disposable liners required for certain types of baby bottles

### **Telecommunications**

GST and QST are applied to telecommunication services, for example a subscription to telephone service, long-distance calls, the installation or rental of a telephone, etc.

### **Tourism and accommodations**

Visitors from other provinces of Canada are entitled to a rebate of QST paid for the provision of tangible personal property (e.g. clothing, furniture, vehicle), provided that the goods are shipped or taken out of Québec.

Additionally, anyone who rents a unit in a hotel, bed and breakfast, tourist home, hospitality village or outfitter, for less than 32 days, must pay GST and QST on the rental amount, as well as on meals and movable property purchased at these establishments. In addition to GST and QST, an accommodation tax (tax on lodging) must also be paid. The amount of the tax is 3.5% of the price of overnight accommodation. However, if an intermediary (such as a travel agent or conference organizer) rents an accommodation unit for the purpose of renting it to someone else, the accommodation tax is \$3.50 per night.

A person who rents an accommodation unit through Airbnb generally has to pay only the accommodation tax. In principle, the tax applied is 3.5% of the price of overnight accommodation, since there is no intermediary between Airbnb and the person who rents the unit.

### **Passenger transportation**

Generally, GST applies to:

- passenger transportation (including by air) that departs and arrives in Canada or within the taxation area. The latter includes Canada, the islands of Saint-Pierre-et-Miquelon and the United States (except Hawaii).
- excursions by boat, bus or train that begin and end in Canada, provided the excursion does not take the traveller outside of Canada for more than 24 consecutive hours.

QST applies to:

- passenger transportation (including by air) that departs from within Québec and arrives in Canada
- excursions by boat, bus or train that begin and end in Québec, provided the excursion does not take the traveller outside of Canada for more than 24 consecutive hours.

Taxi drivers must collect both taxes.

### **Definitions**

#### **Small supplier**

A person who provides goods or services and whose total taxable supplies do not exceed \$30,000 for a given calendar quarter nor the 4 preceding calendar quarters. Total taxable supplies include all sales made by the person and his or her associates worldwide during that period.

#### **Supply (sales or rentals)**

The provision of goods or services in any manner, including sale, barter, exchange, transfer, leasing or donation.

#### **Taxable supplies (taxable sales or rentals)**

Supplies provided in the course of a commercial activity.

#### **Zero-rated supplies**

Supplies that are taxed at 0%.

#### **Exempt supplies**

Supplies for which no taxes are collected or paid, since they are not subject to GST or QST.

#### **Clientele and requirements**

The population in general.

**Legislative framework**

- An Act respecting the Québec sales tax , CQLR, chapter T-0.1
  - Excise Tax Act , R.S.C., 1975, chapter E-15
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**Steps for**

- Obtaining More Information on Particularities Concerning the GST and QST



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