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Tax Alert – Canada

Canadian and foreign suppliers: less than one week to register for the QST under the new QST specified registration system

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

Non-Québec resident Canadian suppliers have until 1 September 2019 to register under the new specified registration system for Québec sales tax (QST) purposes.

Foreign suppliers registered for goods and services tax (GST) purposes are also subject to the 1 September 2019 deadline to register in accordance with the new QST specified registration system.

For the conditions applicable to this new QST specified registration system, see *Tax Alert No. 18 dated 5 April 2018*, *No. 26 dated 10 July 2018*, and *No. 39 dated 2 November 2018* in respect of the new QST specified registration requirements applicable to foreign entities **not registered for QST purposes**, as of 1 January 2019.

Furthermore, Québec Bill 13 (Bill 13) received Royal Assent on 19 June 2019 to include new QST specified rules, effective as of 1 January 2019, in the *Act respecting the Québec sales tax (AQST)* regarding the election of an agent to account for tax, the discretion of the Minister to register a non-Québec resident for the new QST specified regime and specific rules regarding the conversion of foreign currencies into prescribed foreign currencies (i.e., euro and US dollar).

Registration under the new specified registration system

The new QST specified registration system currently applicable to foreign suppliers not registered for GST purposes as of 1 January 2019 will be extended to Canadian suppliers and to foreign suppliers registered for GST purposes as of 1 September 2019.

These latter groups of suppliers will need to perform the necessary due diligence in tracking their transactions made with individuals in Québec to determine whether they exceed the \$30,000 registration requirement threshold. We refer the reader to *Tax Alert* No. 18 dated 5 April 2018, No. 26 dated 10 July 2018, and No. 39 dated 2 November 2018 (see links above) for a detailed description of the rules applicable.

Canadian suppliers and foreign suppliers registered for GST purposes must register before 1 September 2019 in order to collect the QST as of 1 September 2019 in compliance with the new provisions included in sections 477.2 et seq. of the AQST.

Bill 13: new measures implemented

New measures, effective as of 1 January 2019, have been implemented by Bill 13, which received Royal Assent on 19 June 2019, to complete the provisions of the AQST in respect of the new QST specified registration system.

The following three QST provisions have been included in the AQST under Bill 13:

- ▶ **Election of an agent to account for tax**

Section 41.0.1 of the AQST is modified to include the registrants under the new QST specified registration system in the scope of the election of an agent to account for QST. Thus, QST collected under the new QST specified registration system could be remitted by an agent where a person registered under the new QST specified registration system and his agent jointly elect for the agent to account for the QST.

- ▶ **Discretionary registration by the Minister**

Section 477.5 of the AQST is modified in reference to sections 415.0.4 to 415.0.6 of the AQST, allowing the Minister, at his discretion, to register a person for QST purposes according to the new QST specified registration system. It thus becomes even more important to determine whether a person is required to register under the new QST specified registration system since, if the Minister has reason to believe that a person is required to register for the purposes of the new QST specified registration system, the Minister will be entitled to register that person unilaterally.

- ▶ **Conversion of foreign currencies**

Section 477.15 of the AQST is modified to make conversion rules similar to those applicable to the conversion of foreign currency into Canadian currency for purposes of the new QST specified registration system also applicable to the conversion of foreign currency into a prescribed foreign currency (namely US dollar or euro).

Learn more

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