

Excerpt from the document “Additional Information 2015-2016” published by Revenu Québec re: Budget 2015-2016

2.8 Purchasing out of restrictions on the granting to large businesses of the input tax refund

Under the Québec sales tax (QST) system, large businesses cannot claim an input tax refund (ITR) in respect of certain property and services acquired in the course of their commercial activities. The following property and services are subject to restrictions on the granting of an ITR:

- road vehicles of less than 3 000 kg that must be registered under the *Highway Safety Code*¹⁰³ to be driven on public highways;
- gasoline used to power the engine of such road vehicles;
- electricity, gas, combustibles and steam used for a purpose other than to produce movable property intended for sale;
- telephone service and other telecommunications services, except for 1 800-type services and Internet services;
- food, beverages and entertainment whose deductibility is limited under the *Taxation Act*.

Under the Comprehensive Integrated Tax Coordination Agreement between the Government of Canada and the Government of Quebec in respect of sales tax harmonization, the Québec government undertook to phase out these restrictions on ITRs for large businesses in equal annual proportions over a three-year period beginning no later than January 1, 2018.

To follow through on that undertaking, the QST system will therefore be changed to allow large businesses to claim an ITR in respect of property and services to which the restrictions currently apply, at the rate of 25% in 2018, 50% in 2019, 75% in 2020 and, ultimately, 100% as of 2021.

Thus, for each of these years, QST that becomes payable as of January 1 on acquisitions of property and services to which the restrictions apply may be included in the calculation of a large business’s ITR, at the rate of 25%, 50%, 75% or 100%, depending on the year in question.