

October 10, 2013

ELIMINATION OF THE SIMPLIFIED METHOD FOR LARGE BUSINESSES UNDER THE QST SYSTEM

Large businesses will no longer be able to use the simplified method for large businesses (LB simplified method) to calculate an input tax refund (ITR) in respect of expenses incurred by and allowances paid to employees on or after January 1, 2014.

As of that date, the factor method used to claim an input tax credit under the GST system may be used under the QST system by small, medium-sized and large businesses. The latter will have to take into account the ITR restrictions applicable to large businesses. The method will be known as the "QST factor method."

For more information about the factor method used under the GST system, see the Canada Revenue Agency's GST/HST Memorandum [9.4, Reimbursements](#).

QST factor method

Expense reimbursements

Under certain circumstances, an employer who reimburses an expense incurred by an employee on or after January 1, 2014, will be able to claim an ITR calculated using either the actual amount of QST paid or the QST factor method. For more information about those circumstances, see the brochure entitled *General Information Concerning the QST and the GST/HST (IN-203-V)*.

The following are some aspects of the QST factor method:

- The factor applicable to a reimbursement will be 9/109.
- At least 90% of the expenses reimbursed will have to be expenses relating to taxable supplies, other than zero-rated supplies, of property or services acquired by an employee in Québec.
- Small and medium-sized businesses will be subject to a limit on entertainment expenses varying between 1.25% and 2% of their gross revenue.
- Large businesses will have to respect the ITR restrictions that apply specifically to them, for example, regarding expenses related to the use of road vehicles weighing less than 3,000 kilograms and the fuel used to power the engines of such vehicles, as well as certain food, beverage and entertainment expenses.

Revenu Québec will grant persons who use the QST factor method the same exemption from documentary requirements as is granted by the Canada Revenue Agency. For more information, see GST/HST Memorandum [8.4, Documentary Requirements for Claiming Input Tax Credits](#).

Expense allowances

The QST factor method will not apply to the calculation of an ITR in respect of an expense allowance. Therefore, an ITR equal to 9.975/109.975 of the allowance may be claimed, under certain conditions, in respect of an allowance paid on or after January 1, 2014. For more information about the conditions, see the brochure entitled *General Information Concerning the QST and the GST/HST (IN-203-V)*.

The tables below summarize the principal ITRs that businesses may claim in respect of expenses incurred by and allowances paid to employees on or after January 1, 2014.

ITRs in respect of reimbursements of expenses incurred on or after January 1, 2014, based on the calculation method

Examples of categories	Large businesses		Small and medium-sized businesses	
	Actual amount of QST paid	QST factor method	Actual amount of QST paid	QST factor method
Meals	No ITR (restriction applicable to large businesses)	No ITR (restriction applicable to large businesses)	QST paid subject to any restrictions that may apply	9/109 of the reimbursement subject to any restrictions that may apply
Lodging	QST paid	9/109 of the reimbursement	QST paid	9/109 of the reimbursement
Transportation (train, bus, airplane)	QST paid	9/109 of the reimbursement	QST paid	9/109 of the reimbursement

ITRs in respect of expense allowances paid on or after January 1, 2014

Examples of categories	Large businesses	Small and medium-sized businesses
Meals	No ITR (restriction applicable to large businesses)	9.975/109.975 of the allowance subject to any restrictions that may apply
Kilometres travelled	No ITR (restriction applicable to large businesses)	9.975/109.975 of the allowance
Lodging	9.975/109.975 of the allowance	9.975/109.975 of the allowance
Transportation (train, bus, airplane)	9.975/109.975 of the allowance	9.975/109.975 of the allowance