

Register Before it's Too Late: New QST Registration Requirements for Non-Residents of Québec

August 28, 2019

Mandatory Registration

Following the March 27, 2018 Québec budget proposals, certain businesses without physical or significant presence in Québec (non-residents of Québec that supply services and incorporeal moveable property) are required to register for Québec Sales Tax (QST) purposes and to collect and remit QST on certain supplies made to certain clients in Québec.

The broad application of these amendments are likely to affect investment fund managers, portfolio managers and dealers with Québec-resident clients who otherwise do not carry on business in Québec and who earn more than \$30,000 from combined revenues derived from services provided to natural persons in Québec who are consumers.

Previously, the *Act respecting the Québec sales tax* (ARQST) deemed most services and supplies of personal property to be made outside Québec, if the supplier was (i) a non-resident of Québec; (ii) not carrying on business in Québec and (iii) not registered for QST. This deeming provision no longer applies to services provided to such natural persons.

Without this deeming rule, the ARQST will generally consider a service to a natural person to be “made in” Québec if a client provides a Québec billing address. As such, an investment fund manager, portfolio manager or dealer who does not otherwise carry on business in Québec may nevertheless be deemed to have made a supply of services in Québec to such natural person.

Registration Deadline

Consequently, effective **September 1, 2019**, non-Québec resident Canadian investment fund managers, portfolio managers and dealers generating more than

\$30,000 in combined revenue from such natural persons may be required to register for QST under a new “simplified registration system”.

Effects of Registration

Once registered, a business must collect QST on all supplies made to “specified Québec consumers”. Notably, a “specified Québec consumer” is any customer (including an entity) that is (a) not registered for QST, and (b) whose usual place of residence is Québec.

In other words, an investment fund manager, portfolio manager or dealer that generates more than \$30,000 in combined revenue from natural persons in Québec who are consumers must generally register for QST and collect QST from any non-registered customer – in addition to natural persons, this potentially could include clients that are charities, not-for-profit organizations, small businesses, or even certain financial institutions or investment vehicles.

Registration Considerations

An election to register under the “general registration system” is available to certain registrants, and may be advisable depending on the situation. For example, registration under the new “simplified registration system” does not permit a business to claim an input tax refund on QST paid on its expenses in Québec (QST on certain travel expenses, for example). Therefore, it may be advisable to register under the “general registration system” to benefit from claiming an input tax refund. Should a business’ situation change and it is no longer beneficial to be registered under the new “simplified registration system”, it is possible to become QST registered pursuant to the “general registration system”.

Penalty for Non-Compliance

The government has also announced that during the 12-month period following the date of application of these new registration requirements under the “simplified registration system”, Revenue Québec will not levy any penalty where the non-Québec resident supplier is able to show that they have taken reasonable measures to meet their new obligations by, for example, making changes to their internal collection system. After this 12-month period, the penalties provided for in the existing tax legislation will be applied to non-Québec resident suppliers that have not complied with the new obligations.

Takeaway

Given the broad application of the new QST registration requirements, investment fund managers, portfolio managers and dealers with non-QST-registered clients may be required to charge such clients QST on their services. Such QST would generally be partially or fully unrecoverable when incurred by a non-QST-registered client. Such businesses should therefore be aware of the new QST registration requirements and in particular, how these new rules will impact their operations.

Should you have any questions regarding these new rules and how they might apply to your circumstances, please contact one of the authors of this bulletin or a member of our [Commodity Tax and Customs Tariffs Group](#).

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