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2023-5

**HARMONIZATION WITH CERTAIN MEASURES ANNOUNCED IN THE AUGUST 4, 2023  
NEWS RELEASE FROM THE DEPARTMENT OF FINANCE CANADA REGARDING  
SALES TAXES AND OTHER CLARIFICATION**

On August 4, 2023, the Department of Finance Canada made public in a news release<sup>1</sup> legislative and regulatory proposals relating to the *Excise Tax Act*, the *Excise Act, 2001* and the *Select Luxury Items Tax Act* (hereinafter referred to as the “federal proposals”).

Given the general principle of harmonizing the Québec sales tax (QST) system with that of the goods and services tax and the harmonized sales tax (GST/HST), amendments will be made to the Québec taxation system to incorporate, by adapting them in accordance with its general principles and its specific features, and taking into account the provincial context in which the QST operates, the following federal proposals:<sup>2</sup>

- period of assessment (FLRP 3);
- *Amalgamations and Windings-Up Continuation (GST/HST) Regulations* (FLRPs 20 and 21);
- *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* (FLRPs 24 to 27).

It should be noted that it was previously announced, in *Information Bulletin 2023-3* of April 6, 2023, that the QST system would be harmonized with the proposed changes to the GST/HST system regarding the treatment of payment card clearing services announced in the March 28, 2023 federal budget. This harmonization decision concerns the federal proposals for the *Financial Services and Financial Institutions (GST/HST) Regulations* (FLRPs 18 and 19).

Lastly, for the sake of fairness, the Québec taxation system will be amended so that the four-year period during which the Minister may make an assessment will be extended to seven years, in cases where such an assessment relates to an adjustment resulting from the tax payable in respect of a taxable supply made outside Québec and deemed to be acquired by a qualifying taxpayer who is not a selected listed financial institution within the meaning of the QST system (hereinafter referred to as a “qualifying taxpayer”).

<sup>1</sup> DEPARTMENT OF FINANCE CANADA, *Legislative and Regulatory Proposals Relating to the Excise Tax Act, the Excise Act, 2001 and the Select Luxury Items Tax Act*, [Online], August 4, 2023, [<https://fin.canada.ca/drleg-apl/2023/ita-lir-0723-l-1-eng.html>].

<sup>2</sup> References in brackets correspond to the numbers of the federal legislative and regulatory proposals (FLRPs) announced by the Department of Finance Canada on August 4, 2023.

## ■ Application dates

The amendments to the Québec taxation system will be adopted only following assent to any federal statute or adoption of any federal regulation giving effect to the federal proposals, taking into account any technical amendments that may be made prior to the assent or adoption, as the case may be. Moreover, they will apply from the same dates as the dates chosen for the application of the federal proposals with which they harmonize.

In addition, the amendment concerning the time limit for assessing a qualifying taxpayer will come into effect on the same date as the date retained for the amendment to the Québec taxation system following the federal proposal relating to the period of assessment (FLRP 3).

## □ Other clarification

On February 4, 2022, the Department of Finance Canada made public in a news release legislative and regulatory proposals relating to the *Excise Tax Act*, the *Air Travellers Security Charge Act*, the *Excise Act, 2001* and the *Greenhouse Gas Pollution Pricing Act*,<sup>3</sup> as well as legislative proposals relating to the *Income Tax Act* and other acts and regulations<sup>4</sup> (hereinafter collectively referred to as the “February 4, 2022 federal proposals”) concerning, among other things, the avoidance of tax debts.

The Québec government announced that it will harmonize with the February 4, 2022 federal proposals in *Information Bulletin 2022-3* of April 29, 2022 and *Information Bulletin 2022-4* of June 9, 2022. These announcements addressed, in general terms, the Québec sales tax system and the Québec income tax system.

However, it appeared that the wording of these two announcements could lead to interpretation as to the scope of the harmonization of the Québec tax systems with regard to the February 4, 2022 federal proposals relating to the avoidance of tax debts.

In view of the above, and in order to fully reflect the fiscal policy targeted by the amendments to the Québec tax system announced on April 29, 2022 and June 9, 2022, it is specified that these amendments apply to all Québec tax laws.

To obtain information on the matters dealt with in this information bulletin, contact the Secteur du droit fiscal, de l’optimisation des revenus et des politiques locales et autochtones at [secteurdroitfiscalitdelafiscalite@finances.gouv.qc.ca](mailto:secteurdroitfiscalitdelafiscalite@finances.gouv.qc.ca).

The English and French versions of this bulletin are available on the Ministère des Finances website at [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca).

<sup>3</sup> DEPARTMENT OF FINANCE CANADA, *Legislative and Regulatory Proposals Relating to the Excise Tax Act, the Air Travellers Security Charge Act, the Excise Act, 2001 and the Greenhouse Gas Pollution Pricing Act*, [Online], February 4, 2022, [<https://fin.canada.ca/drleg-apl/2022/ita-lir-0222-1-eng.html>].

<sup>4</sup> *Id.*, *Income Tax Act and Other Acts and Regulations*, [Online], February 4, 2022, [<https://fin.canada.ca/drleg-apl/2022/ita-lir-0222-1-eng.html>].