

Consumer Taxes

TVQ. 16-29/R2

Supplies Made by Bingo Hall Managers

Date of publication:

December 21, 2022

Reference(s):

Act respecting the Québec sales tax (CQLR, c. T-0.1), sections 16, 138.1, 146 and 386

This version of interpretation bulletin TVQ. 16-29 replaces that of December 20, 2013. It applies retroactively to March 1, 2014. The bulletin was updated to reflect amendments to section 135 of the Bingo Rules (CQLR, c. L-6, r. 5).

This bulletin explains how the *Act respecting the Québec sales tax* (AQST) applies in respect of supplies made by bingo hall managers.

REGULATORY PROVISIONS

1. In Québec, bingo activities are governed by the *Act respecting lotteries, publicity contests and amusement machines* (CQLR, c. L-6). The regulations made under that Act provide for the following two categories of licences (among others):

- an in-hall bingo licence; and
- a bingo hall manager's licence.

2. In-hall bingo licences are issued to charitable organizations and religious organizations.

3. A holder of an in-hall bingo licence may conduct and operate a bingo activity alone or through a holder of a bingo hall manager's licence, in accordance with the *Bingo Rules*.

4. By virtue of section 12 of the *Bingo Rules*, a holder of an in-hall bingo licence who conducts and operates a bingo activity through a holder of a bingo hall manager's licence must give the latter a written mandate pertaining to bingo hall services.

5. Section 14 of the *Bingo Rules* provides that a holder of a bingo hall manager's licence who conducts and operates a bingo activity as a mandatary assumes, to the exclusion of the mandators, the services of the bingo hall consisting of but not limited to:

- the planning of the bingo activity, including the preparation of the detailed program for each bingo day;

- the purchase, from a holder of a bingo supplier's licence, of bingo booklets and cards and, if applicable, batches of instant win tickets and 50/50 tickets (hereinafter collectively referred to as "bingo cards");
- the sale of bingo cards;
- the hiring of staff for the conduct and operation of the bingo activity;
- the supply of the hall;
- the supply of the furniture, bingo and office equipment, office automation and data transmission equipment, if applicable, hall maintenance and bingo equipment storage services and telephone services;
- the supply of a room used as an office for all the mandators;
- the furnishing of insurance to cover civil liability;
- the conduct of the bingo activity; and
- the organization of the advertising and promotion of the bingo activity and the awarding of the giveaways.

6. Under section 12 of the *Bingo Rules*, the costs incidental to the performance of the mandate are paid in their entirety by the hall manager who may not require, in any manner and for any other service, any contribution from the mandator other than the sum payable as management fees under section 135 of the *Bingo Rules*.

7. Section 135 of the *Bingo Rules* provides that, every month, a hall manager must share with all the mandators the sum from the bingo activities conducted and operated during the month. The sum to be shared is equal to the total revenue from bingo games, instant win tickets and 50/50 tickets in the month, less the value of the prizes awarded. The sum is shared in the following proportions:

- 75% to the holder of the bingo hall manager's licence and 25% to the mandators on the first \$25,000 of monthly revenue;
- 55% to the holder of the bingo hall manager's licence and 45% to the mandators on the monthly revenue above \$25,000 and up to \$60,000;
- 45% to the holder of the bingo hall manager's licence and 55% to the mandators on the monthly revenue exceeding \$60,000.

8. Finally, under section 12 of the *Bingo Rules*, taxes prescribed by the AQST and the *Excise Tax Act* (R.S.C. 1985, c. E-15) that may be payable on the management fees are paid to the manager by the mandators, in their respective proportions based on their funding needs.

APPLICATION OF THE ACT

Organizing and holding bingo activities

9. A hall manager who organizes and holds a bingo activity on behalf of a holder of an in-hall bingo licence makes a taxable supply of a management service.

10. A holder of an in-hall bingo licence who retains the services of a hall manager must therefore pay Québec sales tax (QST) on the value of the consideration for the supply of the management service.

11. The costs incidental to the supply of the management service are part of the inputs of the hall manager. It is the latter, not the manager's mandators (the holders of in-hall bingo licences), who is responsible for those costs. A hall manager and all the mandators cannot agree that the mandators are responsible for the expenditures made by the manager in the course of the mandate.

Sale of bingo cards

12. Under the *Bingo Rules*, only holders of in-hall bingo licences can legally sell a right to play bingo. The sale of a right to play bingo is made by selling bingo cards to a player, in the course of a bingo activity.

13. Where, in the course of a bingo activity, a hall manager sells cards to players to allow them to play bingo, the manager acts as the mandatary of a holder of an in-hall bingo licence.

14. The sale of bingo cards by a hall manager to a bingo player, in the course of a bingo activity, constitutes an exempt supply of a right to play a game of chance.

Remittance of the bingo revenue

15. The revenue resulting from a bingo activity that is remitted by a hall manager to a holder of an in-hall bingo licence is not subject to QST since it belongs to the holder of an in-hall bingo licence.

Input tax refunds (ITRs) and rebates

16. A hall manager can claim ITRs in respect of the tax paid or payable on the expenses the manager incurred in order to make the supply of the management service.

17. A holder of an in-hall bingo licence cannot claim any ITRs in respect of the tax paid to a hall manager, since the bingo hall management service was not acquired for use or supply in the course of that licence holder's commercial activities but rather to make exempt supplies of a right to play a game of chance.

18. However, a charity or a qualifying non-profit organization that holds an in-hall bingo licence can claim a rebate of 50% in respect of the tax paid or payable on the management service, provided the other requisite conditions are met.