

Consumer Taxes

TVQ. 177-5/R1 **Chocolate bars sold during fundraising campaigns by organizations other than public-sector bodies and public institutions**

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Reference(s): *An Act respecting the Québec sales tax (R.S.Q., c. T-0.1), s. 177*

This version of interpretation bulletin TVQ. 177-5 supersedes the version dated August 31, 2000. However, the position set out in the bulletin remains unchanged. Only some style changes were made to ensure technical accuracy.

The bulletin has effect from July 1, 1992.

This bulletin clarifies the application of the *Act respecting the Québec sales tax (AQST)* with respect to supplies of chocolate bars sold during fundraising campaigns by organizations other than public-sector bodies and public institutions.

CONTEXT

1. Youth organizations sell chocolate bars on a regular basis during fundraising campaigns on behalf of various organizations.
2. Most of the time, 100-gram chocolate bars are sold door-to-door, not in grocery stores, and their labels differ from those of chocolate bars sold as fondue chocolate in such stores.
3. Typically, an organization indicates that the sale is for its benefit by proceeding in either of the following ways:
 - (a) Confectionery chocolate bars are repackaged as fondue chocolate and a distinctive label is affixed to each one indicating that the bar is being sold to fund activities.
 - (b) The chocolate bars are not repackaged and the labelling has certain distinctive characteristics:
 - The original label includes such phrases as “Thank you for your support” and “A delicious way to help us”.

- Among other things, “cooking chocolate” and often suggestions, statements or illustrations promoting consumption of the product as a chocolate bar appear on the front of the label.
- A fondue recipe is printed on the back of the label.

PERTINENT PROVISION OF THE ACT

4. Pursuant to section 177 of the AQST, supplies of food or beverages for human consumption, other than supplies of the products listed in paragraphs 1 through 19 of that section, are zero-rated supplies.

5. More specifically, paragraph 6 of section 177 of the AQST refers to supplies of candies, confectionery that may be classed as candy, or any goods sold as candies, such as candy floss, chocolate and chewing gum, whether naturally or artificially sweetened, and including fruits, seeds, popcorn and nuts when they are coated or treated with chocolate, molasses, honey, syrup, sugar, candy or artificial sweeteners.

APPLICATION OF THE ACT

6. As a general rule, fondue chocolate is not packaged and presented to consumers in the same way as confectionery chocolate. Fondue chocolate is sold in bar form (170 grams or more), is found in the baking goods section of grocery stores and is intended to be used in the preparation of food. The supply of such a product is zero-rated under section 177 of the AQST.

7. Chocolate bars sold in the context described in points 1 through 3 of this bulletin are considered goods sold as candy. Consequently, the chocolate bars sold by youth organizations during fundraising campaigns on behalf of various organizations are taxable under paragraph 6 of section 177 of the AQST, unless the supply is made by a person who is considered a small supplier.

8. Supplies of chocolate bars sold during fundraising campaigns by public-sector bodies, such as charities, non-profit organizations, municipalities, school authorities, public colleges, universities, hospital authorities and public institutions, are subject to the specific rules set out in sections 138.3, 143.2 and 144 of the AQST. Furthermore, when a public-sector body or a public institution acquires chocolate bars from a supplier, it is required to pay Québec sales tax just like any other recipient.