

## Consumer Taxes

TVQ. 425-1                      Québec Sales Tax Indicated on the Bill of Costs Submitted in Bankruptcy Matters

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Reference(s):                      *An Act respecting the Québec sales tax* (R.S.Q., c. T-0.1), sections 1, 422 and 425

This bulletin states how section 425 of the *Act respecting the Québec sales tax* (the “Act”) applies to bills of costs prepared by lawyers for judicial or extrajudicial costs, or both, regarding legal services provided to a trustee in bankruptcy.

### GENERAL CONSIDERATIONS

1. In bankruptcy matters, a lawyer who provides a legal service to a trustee must prepare a bill of costs for, as the case may be, the judicial and extrajudicial costs pertaining to his services and must, for taxing purposes, submit the bill of costs to the taxing officer.
2. At that time, certain lawyers indicate on their bills of costs, the Québec sales tax (QST) in respect of the costs indicated therein which correspond to the consideration for the taxable supply of the legal service they provided to the trustee.

### APPLICATION OF THE ACT

3. In accordance with section 422 of the Act, a lawyer who makes a taxable supply of a legal service to a trustee (the recipient of the supply) shall collect the QST payable by the latter in respect of the supply.
4. In addition, pursuant to section 425 of the Act, the lawyer, as a registrant making a taxable supply, shall indicate to the trustee, in prescribed manner or on the invoice or receipt issued to, or in an agreement in writing entered into with, the trustee, either the consideration paid or payable for the supply and the QST payable in respect thereof, in a manner that clearly indicates the amount of the QST, in which case the lawyer may indicate a total amount made up of both the QST and the goods and services tax, or he may indicate that the amount paid or payable by the trustee for the supply of the service includes the QST payable thereon.
5. In this respect, section 1 of the Act defines the term “invoice” as including a statement of account, a bill and any other similar record, regardless of its form or characteristics, and a cash register slip or receipt.

**6.** Consequently, a lawyer who indicates on his bill of costs the QST relating to the costs shown on the bill and corresponding to the consideration for the taxable supply of the legal service provided to the trustee, complies with the obligation imposed on him by section 425 of the Act, since the bill of costs constitutes an “invoice” within the meaning given to this term in section 1 of the Act.

**7.** It should be stated, though, that a lawyer who does not show on his bill of costs the amount of QST payable by the trustee in respect of the taxable supply of the legal service of which the trustee is the recipient may then, in order to fulfil the requirement imposed on him by section 425 of the Act, issue an invoice to the trustee indicating the amount of QST actually payable by the latter or any other information required under that section.

**8.** This interpretation bulletin only deals with the application of the Act and does not consider the question of whether or not the taxing officer has the power of approving (“taxing”) the portion of the bill of costs relating to the QST. Indeed, it is not necessary to rule on this matter since it has no incidence on the application of the Act set forth in this bulletin.

**9.** This bulletin has effect from July 1, 1992.