

Consumer Taxes

TVQ. 487-2 **Specific Tax on Alcoholic Beverages**
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Reference(s): *Act respecting the Québec sales tax* (CQLR, c. T-0.1), sections 407.3, 486, 487, 489.1, 494, 494.1, 496, 497 and 498
 Regulation respecting the Québec sales tax (CQLR, c.T-0.1, r. 2), sections 489.1R1 to 489.1R6

This bulletin sets out the rules pertaining to the specific tax on alcoholic beverages. For more information, see the publication entitled *Consumption Taxes and Producers of Alcoholic Beverages* (IN-263-V), which is available on our website (www.revenuquebec.ca).

APPLICATION OF THE SPECIFIC TAX ON ALCOHOLIC BEVERAGES

1. Generally speaking, alcoholic beverages are subject to the specific tax on alcoholic beverages, which, under Title II of the *Act respecting the Québec sales tax* (AQST), is collected from consumers at the time of retail sales.
2. The rates of the specific tax on alcoholic beverages vary according to whether the alcoholic beverages are purchased for consumption on the premises (at an establishment) or for home consumption.

Rates for consumption on the premises	
Beer	\$0.82 per litre
Any other alcoholic beverage	\$2.47 per litre
Rates for home consumption	
Beer	\$0.50 per litre
Any other alcoholic beverage	\$1.12 per litre

REDUCTION OF THE SPECIFIC TAX

3. Where the conditions described below are met, the specific tax on alcoholic beverages is reduced in respect of beer and other alcoholic beverages produced in Québec.

Reduction of the specific tax in respect of beer

4. For beer produced and sold by a brewer, the specific tax rates that apply to the first 75,000 hectolitres are \$0.2706 per litre of beer purchased for consumption on the premises and \$0.1650 per litre of beer purchased for home consumption. For the next 75,000 hectolitres of beer sold, the rates are \$0.5494 per litre and \$0.3350 per litre, respectively.

Total number of litres	Consumption on the premises	Home consumption
The first 7.5 million litres	\$0.2706 per litre	\$0.1650 per litre
7,500,001 to 15 million litres	\$0.5494 per litre	\$0.3350 per litre

5. The reduction of the specific tax in respect of beer applies only if the worldwide volume of beer sold by a brewer during the calendar year preceding the year concerned does not exceed 30 million litres.

6. In determining the worldwide volume of beer sold by a particular brewer, it is necessary to take into account, where applicable, the worldwide volume of beer sold by any brewer associated with the particular brewer and by any brewer whose business the particular brewer continues to carry on. Furthermore, where the brewer is a corporation that is the result of a merger or an amalgamation and that is in its first year of operation, the worldwide volume of beer sold during the previous calendar year by each merged or amalgamated corporation must be taken into account.

7. Where a particular brewer has entered into a beer distribution contract with a holder of a beer distributor's permit issued under the *Act respecting the Société des alcools du Québec* (CQLR, chapter S-13) (a brewer outside Québec) and has acquired from the latter beer produced outside Québec, the volume of such beer sold by the particular brewer must be taken into account in determining the worldwide volume of beer sold by the particular brewer.

Reduction of the specific tax in respect of alcoholic beverages other than beer

8. For alcoholic beverages, other than beer, produced and sold by a small-scale producer, the reduction in the specific tax applies to the first 15,000 hectolitres sold in a given year. The reduction rate is 100% for the first 1,500 hectolitres and 85% for the next 13,500 hectolitres. Accordingly, the first 1,500 hectolitres are not subject to the specific tax, whereas the next 13,500 hectolitres are subject to the specific tax at the rate of \$0.3705 per litre of such beverages purchased for consumption on the premises and \$0.1680 per litre of such beverages purchased for home consumption.

Total number of litres	Consumption on the premises	Home consumption
The first 150,000 litres	\$0.0000 per litre	\$0.0000 per litre
150,001 to 1.5 million litres	\$0.3705 per litre	\$0.1680 per litre

9. The reduction applies in respect of alcoholic beverages, other than beer, produced from raw material that comes primarily from land, situated in Québec, that a small-scale producer owns or leases.

10. The reduction of the specific tax in respect of such alcoholic beverages applies only if the worldwide volume of such beverages sold by a small-scale producer during the calendar year preceding the year concerned does not exceed 1.5 million litres.

11. In determining the worldwide volume of alcoholic beverages, other than beer, sold by a particular small-scale producer, it is necessary to take into account, where applicable, the worldwide volume of such beverages sold by any producer associated with the particular small-scale producer and by any producer whose business the particular small-scale producer continues to carry on. Furthermore, where the small-scale producer is a corporation that is the result of a merger or an amalgamation and that is in its first year of operation, the worldwide volume of such beverages sold during the previous calendar year by each merged or amalgamated corporation must be taken into account.

12. Where a small-scale producer of such alcoholic beverages sells them to the Société des alcools du Québec (SAQ), information must be provided to the SAQ concerning the producer's volume of sales during the year, so that the SAQ can charge tax at the appropriate rate, based on the applicable tax reduction.

Alcoholic beverages supplied free of charge

13. Any beer or other alcoholic beverages supplied free of charge by brewers and small-scale producers must also be included in determining the worldwide volume of sales so that any tax reduction that may apply can be established.

COLLECTION, RETURNS AND PAYMENTS

14. Although the specific tax on alcoholic beverages is collected from consumers at the time of retail sales, there is an advance collection mechanism in respect of that tax whereby an amount equal to the tax is typically collected by the SAQ and producers of alcoholic beverages at the time of wholesale sales. However, in some cases there is no advance collection, for example, where alcoholic beverages are sold to the SAQ or where they are sold, for purposes of blending, to a person holding an industrial permit issued under the *Act respecting the Société des alcools du Québec*.

15. The specific tax on alcoholic beverages or an amount equal to that tax, as the case may be, must be remitted to the Minister of Revenue at the same frequency and by the same deadlines as for the filing of Québec sales tax (QST) returns. The prescribed form for rendering an account of such amounts, form VDZ-498-V, must be filed even if no tax or amount equal to the tax is owing for the period.

RULES APPLICABLE TO REUNION PERMIT HOLDERS

16. Special rules apply to a holder of a reunion permit issued under the *Act respecting liquor permits* (CQLR, chapter P-9.1), depending on whether the permit holder acquired the alcoholic beverages from a grocery permit holder or from the SAQ.

17. Where a reunion permit holder acquires the alcoholic beverages from a grocery permit holder, the tax collected by the vendor is usually based on the rate for home consumption. The reunion permit holder must therefore determine the difference between the tax based on that rate and the tax based on the rate for consumption on the premises (at an establishment). A reunion permit holder that serves the alcoholic beverages must remit that difference to the Minister. A reunion permit holder that sells the alcoholic beverages must collect the specific tax from the persons to whom such retail sales are made and remit the aforementioned difference to the Minister.

18. Where a reunion permit holder acquires the alcoholic beverages from the SAQ, the tax on those beverages should be based on the rate for consumption at an establishment. It is recommended that the reunion permit holder verify with the SAQ that the tax was in fact charged at the aforementioned rate. Where that is the case, the reunion permit holder does not have to recalculate the tax on the alcoholic beverages or remit any such tax to the Minister.

OTHER CONSUMER TAXES

19. Every person who makes supplies of alcoholic beverages must also collect goods and services tax (GST) at the rate of 5% (unless the person is a small supplier not registered for GST purposes) and QST at the rate of 9.975%. Every small supplier who makes supplies of alcoholic beverages, other than a reunion permit holder, must be registered for QST purposes.