

Income Tax

IMP. 80-9/R1 Barter transactions
Date of publication: September 28, 2007

Reference(s): *Taxation Act* (R.S.Q., c. I-3), ss. 80 and 422

This version of bulletin IMP. 80-9 supersedes the version of February 28, 1991. However, the position set out in the bulletin remains unchanged. Only some style changes have been made to ensure technical accuracy.

DEFINITION AND GENERAL

1. Barter, or trade for consideration, is the exchange of one property or service for another property or service without the use of money, and includes any commercial system under which property or services are provided in consideration for credit units or coupons having a notional monetary value.
2. Depending on the situation of the persons involved and the nature of the things bartered, barter may generate income within the meaning of section 80 of the *Taxation Act* (TA) or give rise to an expense. It may also result in the acquisition or disposition of capital property, incorporeal capital property, personal-use property or inventory, on the same basis as if the transaction involved a cash consideration.

APPLICATION OF THE ACT

BARTER OF SERVICES

3. Where a taxpayer barter services, their value must be included in computing the taxpayer's income if the services are of the same type as those the taxpayer provides in the course of earning income from a business or profession he or she carries on, or if they are related to the business or profession. This would be the case, for example, if a garage owner agreed to repair another person's automobile in exchange for services or property offered by the other person.
4. Where a taxpayer is an employee and occasionally provides assistance to a friend or neighbour in consideration for property or a service, the taxpayer is not required to include the value of the property or service in computing his or her income, unless the taxpayer makes a regular habit of providing such assistance for barter.

BARTER OF PROPERTY

5. A taxpayer who barter property must also include the value of the property in computing his or her income if the property relates to a business that the taxpayer carries on. This would be the case, for example, if a grocer provided groceries to another person in exchange for property or services offered by the other person. In addition, the barter of capital property may result in a capital gain or loss. This would be the case, for example, if a taxpayer other than a dealer in securities bartered shares for property or services.

EVALUATION OF THE CONSIDERATION

6. Where property or services are bartered as part of an arm's length transaction, the amount that must be included in computing the taxpayer's income or that represents the proceeds of disposition of the taxpayer's capital property corresponds to the price that the taxpayer would normally charge for the services or property or for the sale of the capital property. The cost of the services, merchandise or capital property received in exchange is equal to the total value of the consideration given in exchange by the taxpayer. The same rules apply to a non-arm's length transaction, subject to the provisions of section 422 of the TA.