

Consumer Taxes

TVQ. 168-1 **Vacant Lot Supplied by a Municipality**
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Reference(s): *An Act respecting the Québec sales tax* (R.S.Q., c. T-0.1), section 168 (paragraph 4)

This states how paragraph 4 of section 168 of the *Act respecting the Québec sales tax* (the “Act”) applies to the supply of vacant lots by a municipality.

APPLICATION OF THE ACT

1. Paragraph 4 of section 168 of the Act provides that a supply of a vacant lot by a municipality is not exempted where, immediately before the time tax would be payable in respect of the supply if it were a taxable supply, the land was used otherwise than in making the supply, primarily in commercial activities of the municipality.
2. For the purposes of this provision, the supply of the land which the municipality plans to make must not be considered for the purpose of determining if the municipality uses it primarily in its commercial activities. Only the use prior to the supply which the municipality plans to make must be considered.
3. Where the municipality did not use the land primarily in its commercial activities, paragraph 4 of section 168 of the Act does not apply. The supply remains exempted unless another paragraph of that section applies to tax it.
4. Where the municipality used the land primarily in its commercial activities, otherwise than in making the supply thereof, paragraph 4 of section 168 of the Act applies, and the supply is taxable, unless another provision of the Act applies to exempt it.

Examples

A municipality registered for Québec sales tax (QST) purposes, acquires a vacant lot. It uses it as a parking lot for its employees and visitors who must pay to use it. Subsequently, the municipality supplies the land by way of sale to a real estate developer. Paragraph 4 of section 168 of the Act applies and the supply is taxable, since the municipality used the land in its commercial activities at the time of supplying it to the developer.

A municipality registered for QST purposes, acquires a vacant lot which it subdivides into other lots. It installs a water supply network, a sewer system or a drainage network solely for the purpose of reselling these lots. The municipality does not use the lots for any other purpose than that of

making a supply of them. It does not affect the election provided for in section 272 of the Act in respect of these lots. The sale of these lots by the municipality to corporations constitutes an exempt supply.

5. This bulletin has effect from July 1, 1992.