

Consumer Taxes

TVQ. 16-12/R2 **The Estimated Value Rule and the Option to Purchase a Leased Road Vehicle**
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Reference(s): *Act respecting the Québec sales tax (CQLR, c. T-0.1), sections 16, 55.0.1 and 55.0.2*

This version of interpretation bulletin TVQ. 16-12 supersedes the version of June 29, 2006. The bulletin was revised to make sure it is relevant and up to date. The position remains the same. Only some style changes were made. The bulletin has effect from June 1, 1994.

This bulletin explains the application of the rule concerning the estimated value of a used road vehicle under the *Act respecting the Québec sales tax (AQST)*.

LEGISLATIVE PROVISIONS

1. By virtue of the first paragraph of section 55.0.1 of the AQST, the Québec sales tax payable in respect of a supply of a used road vehicle that must be registered under the *Highway Safety Code* (CQLR, chapter C-24.2) must generally be calculated either on an amount equal to the value of the consideration that the supplier and the recipient agreed to or on an amount equal to the estimated value of the used road vehicle (determined in accordance with section 55.0.2 of the AQST), whichever is greater.
2. However, according to the second paragraph of section 55.0.1 of the AQST, where a supply of a used road vehicle results from the recipient's exercise of the right to acquire the vehicle (conferred on the recipient by the contract for the lease of the vehicle entered into by the recipient and the supplier), the estimated value rule referred to in point 1 above does not apply for the purposes of determining the value of the consideration for the supply by way of sale of the vehicle.

APPLICATION OF THE ACT

3. Revenu Québec also considers that the estimated value rule does not apply where a used road vehicle is supplied further to the early termination of a contract of lease entered into by the recipient and the supplier and conferring on the recipient the right to acquire the vehicle. Such a transaction is treated like the exercise of the right to acquire the vehicle under the contract of lease.