

## Consumer Taxes

TVQ. 177-2/R1

Supplies of Products Intended for Winemaking

Date of publication:

December 23, 2015

Reference(s):

*Act respecting the Québec sales tax (CQLR, c. T-0.1), section 177*

*This version of bulletin TVQ. 177-2 supersedes the version of September 30, 1997. The bulletin was revised further to the amendment of section 177 of the Act respecting the Québec sales tax. (See Statutes of Québec 2015, chapter 21.) The position set out in the bulletin remains the same. Only some style changes were made. The bulletin has effect from May 16, 1996.*

This bulletin explains how the *Act respecting the Québec sale tax (AQST)* applies in respect of supplies of products intended for winemaking.

### GENERAL POINTS

1. For the purposes of this bulletin, grapes, juice and must intended for winemaking are referred to as “winemaking grapes,” “winemaking grape juice” and “winemaking grape must,” respectively. Furthermore, grapes for human consumption are referred to as “table grapes.” A reference to zero-rated supplies of juice or must means supplies of beverages that contain 25% or more of natural grape juice by volume, in accordance with paragraphs (4) and (5) of section 177 of the AQST.

### LEGISLATIVE PROVISIONS

2. Under section 177 of the AQST, supplies of food or beverages for human consumption, including seasonings, sweetening agents and other ingredients to be mixed with or used in the preparation of such food or beverages are zero-rated supplies. However, supplies of the products listed in paragraphs (1) to (19) of that section are subject to Québec sales tax (QST).

3. According to paragraph (1.1) of section 177 of the AQST, supplies of grapes, juice and must, whether concentrated or not, and other similar products intended for winemaking are not zero-rated supplies.

## PRODUCTS INTENDED FOR WINEMAKING

### Supplies of must

4. Where, in order to make wine, a person acquires must that is supplied by a registrant, the must is subject to QST. On the other hand, must acquired to make grape juice for human consumption constitutes a zero-rated supply under section 177 of the AQST.

5. Generally speaking, must is an imported product. Upon importation, each type of must is subject to a tariff classification according to the Schedule to the *Customs Tariff*. In certain cases, the tariff item number may constitute an indication as to whether the must is to be used to make grape juice or to make wine. Winemaking grape must has a different tariff item number from other types of must generally used to produce grape juice for human consumption.

### Supplies of fresh pressed or unpressed grapes

6. Fresh grapes that are supplied to be consumed as table grapes or to be made into grape juice for human consumption are zero-rated supplies under section 177 of the AQST. However, supplies of fresh pressed or unpressed grapes intended for winemaking are subject to QST.

7. Fresh grapes intended for winemaking or for consumption as table grapes are usually imported products. Certain rules apply to importers of fresh fruits and vegetables. For example, they must have an import permit and complete a Confirmation of Sale document that shows, among other things, the tariff item number and specification of the commodity. In the Schedule to the *Customs Tariff*, the tariff item number for fresh grapes is the same for both table grapes and winemaking grapes. Therefore, that number is not an indication as to whether the grapes are intended for winemaking.

8. Fresh pressed or unpressed grapes intended for winemaking are available during a short seasonal period. Generally speaking, such fresh grapes are found in public food markets. Fresh grapes intended for winemaking usually have a pungent taste, which generally makes them unsuitable for consumption as table grapes or for juice. That pungent taste is a characteristic of grape varieties such as Cabernet Sauvignon, Merlot, Pinot and Sauvignon. In certain cases, such varieties are clearly identified. In those situations, identification of the variety constitutes an indication that the grapes are used for winemaking. Thus, there is good reason to conclude that persons who purchase such grape varieties will use them for winemaking. A registrant who supplies such fresh pressed or unpressed grapes is therefore required to collect QST at the time such supplies are made.

9. A person who deals in, imports or locally produces fresh grapes must comply with federal and provincial packaging and labelling standards. Whether or not there is compliance with such regulations has no effect on the tax status of the product for QST purposes. Fresh pressed or unpressed grapes that are intended for winemaking and supplied by a registrant are subject to QST.

## **Supplies of grape juice**

**10.** Grape juice that is supplied by a registrant and intended for winemaking is subject to QST. On the other hand, grape juice supplied to a person who will use it to make grape juice for human consumption is zero-rated under section 177 of the AQST.

**11.** Generally speaking, grape juice is an imported product. Certain indications may make it possible to differentiate winemaking grape juice from other grape juice. For example, winemaking grape juice is imported under a specific tariff item number established by the Schedule to the *Customs Tariff*, which differs from the number for other types of grape juice. Winemaking grape juice is imported duty free whereas other types of grape juice are subject to specific duties. In certain cases, the tariff item number may constitute an indication that the grape juice is to be used for winemaking.

**12.** A person who imports or deals in grape juice must comply with federal and provincial packaging and labelling standards. Whether or not there is compliance with such regulations has no effect on the tax status of the product for QST purposes. Grape juice that is intended for winemaking and supplied by a registrant is subject to QST.

## **Fresh grapes, juice or must for winemaking that is brought into Québec**

**13.** Under section 17 of the AQST, where a registrant brings into Québec fresh grapes, juice or must that is intended for winemaking and is to be used or consumed exclusively in the course of the commercial activities of the registrant, the latter is not required to pay QST at the time such products are brought into Québec.

## **OTHER SIMILAR PRODUCTS**

**14.** The “other similar products” intended for winemaking, which are subject to QST, include other primary products that, like grapes, juice and must, are commodities for winemaking. Excluded are other ingredients that are part of the winemaking process.

**15.** Examples of such other ingredients that are part of the winemaking process include wine yeast, food yeast, potassium sorbate, sodium benzoate, sulphurous acid, calcium sulphate, sugar, caramel, citric acid and tartaric acid. Supplies of such products are zero-rated supplies under section 177 of the AQST provided they are presented, labelled, packaged and advertised as food or beverages for human consumption.

**16.** Fruits other than grapes, such as apricots, pears and apples, as well as the juice and the must of those fruits (whether concentrated or not), that are used to make alcoholic beverages are not subject to QST since the end product is not wine.