

Consumer Taxes

TVQ. 212-4/R1

QST Factor Method

Date of publication:

March 26, 2024

Reference(s): *Act respecting the Québec sales tax* (CQLR, c. T-0.1), sections 211, 212 and 457.1.4

This version of interpretation bulletin TVQ. 212-4 replaces that of December 20, 2013. The bulletin has been amended to reflect the complete removal of restrictions preventing large businesses from obtaining input tax refunds on January 1, 2021.

This bulletin clarifies the application of Revenu Québec's administrative policy concerning the calculation method that may be used by employers to determine the input tax refunds (ITRs) to which they are entitled in respect of expenses they have reimbursed to their employees, where the expenses were incurred by the employees on or after January 1, 2014.

APPLICATION OF THE ACT

1. Under section 212 of the *Act respecting the Québec sales tax* (AQST), where expenses incurred by employees in activities of an employer are reimbursed by the employer, the Québec sales tax (QST) included in the amounts reimbursed is deemed to have been paid by the employer.
2. An employer referred to in section 212 of the AQST may either do an exact calculation of the QST in accordance with that section or use the QST factor method to determine the ITRs that may be claimed in respect of expenses incurred by employees.

ADMINISTRATIVE POLICY – QST FACTOR METHOD

3. Subject to certain aspects of the QST factor method, the latter is harmonized with the factor method used under the goods and services tax (GST)/harmonized sales tax (HST) system, as described in GST/HST Memorandum 9.4, *Reimbursements*, published by the Canada Revenue Agency.
4. Those aspects of the QST factor method are as follows:
 - The factor applicable to a reimbursement is 9/109.

- All or substantially all of the expenses reimbursed must be expenses relating to taxable supplies, other than zero-rated supplies, of property or services acquired by an employee in Québec.
- Businesses are subject to a limit on entertainment expenses under section 457.1.4 of the AQST.

5. The table below summarizes the principal ITRs that businesses may claim in respect of expenses incurred by employees.

Examples of categories	Actual amount of QST paid	QST factor method
Meals	QST paid subject to any restrictions that may apply	9/109 of the reimbursement subject to any restrictions that may apply
Lodging	QST paid	9/109 of the reimbursement
Transportation (train, bus, airplane)	QST paid	9/109 of the reimbursement

6. Revenu Québec grants persons who use the QST factor method the same exemption from documentary requirements as is provided for in GST/HST Memorandum 8.4, *Documentary Requirements for Claiming Input Tax Credits*, published by the Canada Revenue Agency.

7. The QST factor method does not apply to expense allowances. Therefore, ITRs can be claimed only in accordance with section 211 of the AQST. For more information, see the current version of interpretation bulletin TVQ. 211-3.

8. This bulletin also applies (with such adjustments as are necessary) to expense reimbursements made by a partnership to one of its members or by a charity or a public institution to a volunteer.