

Consumer Taxes

TVQ. 51-1 **Consideration in the Form of Property or Services**
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Reference(s): *An Act respecting the Québec sales tax* (R.S.Q., c. T-0.1), sections 16, 27 and 51

This bulletin states how the *Act respecting the Québec sales tax* (the “Act”) applies to the determination of the value of the consideration for a supply where that consideration takes the form of property or services.

APPLICATION OF THE ACT

1. According to section 16 of the Act, every recipient of a taxable supply, other than a zero-rated supply, made in Québec shall pay to the Minister of Revenue the Québec sales tax (QST) in respect of the supply, calculated on the value of the consideration for the supply.

2. Furthermore, according to section 51 of the Act, the value of the consideration for a supply is deemed to be equal

- (1) where the consideration is expressed in money, to the amount of the money; and
- (2) where the consideration is expressed otherwise than in money, to the fair market value of the consideration at the time the supply was made.

3. Section 27 of the Act provides that where an agreement is entered into to provide property or a service,

- (1) the entering into of the agreement is deemed to be a supply of the property or service made at the time the agreement is entered into; and
- (2) any provision of property or a service under the agreement is deemed to be part of the supply referred to in paragraph 1 of this article and not a separate supply.

4. Thus, where the consideration for a supply takes the form of property or services, the fair market value of the consideration must be determined at the time the agreement relative to the supply is entered into.

EXAMPLE

5. An agreement is entered into by two QST registrants, i.e. a television station (Station) and an automobile dealer (Dealer). The agreement provides that Station undertakes to broadcast Dealer’s

advertisements. In consideration therefor, Dealer undertakes to supply an automobile to Station by way of lease.

6. Station is also the recipient of a supply, namely the supply of an automobile made by Dealer by way of lease. The service provided by Station which consists of broadcasting advertisements for Dealer constitutes the consideration for the supply made by Dealer.

7. The agreement provides that the parties agree that the value they respectively provide is equal to \$3,000, whereas at the time the agreement is entered into, the fair market value of each party's supply is \$5,000.

8. Pursuant to paragraph 2 of section 51 of the Act, the value of the consideration for each supply is equal to the fair market value of its respective consideration at the time of the supply, i.e. the time when the agreement is entered into.

9. Thus, if the leasing of the automobile to be made by Dealer has a fair market value of \$5,000 at the time the agreement is entered into, the QST payable in respect of the taxable supply of the service of broadcasting advertisements made by Station must be calculated on \$5,000, even if the parties have agreed that this value is \$3,000. Station, therefore, must collect QST calculated on \$5,000.

10. The same applies to the taxable supply of the automobile made by way of lease, whose consideration, i.e. the broadcasting of advertisements, has a fair market value of \$5,000 at the time the agreement is entered into. Dealer, therefore, must collect QST calculated on this fair market value of \$5,000.

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