

Consumer Taxes

TVQ. 51-2 **The Supply of Property by Way of a Draw**
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Reference(s): *An Act respecting the Québec sales tax* (R.S.Q., c. T-0.1), sections 16 and 51

This bulletin sets forth the application of the *Act respecting the Québec sales tax* (R.S.Q., c. T-0.1; the “Act”) in respect of a supply of property made by way of a draw.

APPLICATION OF THE ACT

1. The tax imposed under section 16 of the Act on the recipient of a taxable supply, other than a zero-rated supply, shall be calculated, according to that section, on the value of the consideration for the supply.

2. Thus, in the case where property is supplied by way of a draw, the winner, in his capacity of recipient, does not have to pay the tax provided for in section 16 of the Act. Indeed, a supply of property by way of a draw is generally considered to constitute a supply made for no consideration.

3. It should be noted that it is incumbent upon the organizer of the draw who has acquired the property that is the object of the draw to pay the Québec sales tax (QST), where applicable, in respect of the property so acquired.

4. Moreover, if the organizer is registered for QST purposes and he acquired the property which is the object of the draw to supply it in the course of his commercial activities, that organizer may then claim an input tax refund (ITR) in respect of the QST payable relative to that property.

5. Example:

A non-profit organization acquires in the course of its exempt activities, an automobile that will be the object of a draw.

The organization, in its capacity of recipient, must pay the QST in respect of the acquisition of the automobile. However, it cannot claim an ITR relative to the QST thus payable since it did not acquire the automobile to supply it in the course of its commercial activities. For his part, the winner of the draw has no QST to pay in respect of the automobile since the latter was supplied to him by the organization for no consideration.

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