

## Consumer Taxes

TVQ. 520-2                      **Precedence of the Québec Sales Tax over the Tax on Insurance Premiums**  
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Reference(s):                *An Act respecting the Québec sales tax* (R.S.Q., c. T-0.1), sections 1, 198  
(paragraph 1), 507, 512, and 520 (paragraph 17)

This bulletin states how the *Act respecting the Québec sales tax* (the “Act”) applies to the Québec sales tax (QST) and the tax on insurance premiums.

### THE ACT

1. Title I of the Act contains the provisions respecting the QST (sections 1 to 485.2 of the Act), and Title III of the Act contains the provisions respecting the tax on insurance premiums (sections 506 to 536 of the Act).
2. Under subparagraph 1 of the second paragraph of section 507 of the Act, any amount payable to obtain for oneself or another on the occurrence of a risk a benefit payable by an insurer or another person is deemed to be an insurance premium.
3. Under section 512 of the Act, every person subject to the tax shall, when paying an insurance premium, pay the tax on insurance premiums.
4. Under paragraph 17 of section 520 of the Act, though, the tax on insurance premiums does not apply to a premium that constitutes, under Title I of the Act, consideration for a taxable supply, other than a zero-rated supply.

### APPLICATION OF THE ACT

5. Situations may arise where the QST and the tax on insurance premiums are liable to apply simultaneously to an amount deemed to be an insurance premium. These two taxes, though, cannot simultaneously apply to such an amount. In these situations, it is the QST that applies.
6. Indeed, in light of the exemption provided for in paragraph 17 of section 520 of the Act, the tax on insurance premiums does not apply to an amount that constitutes consideration for a taxable supply under the QST system, other than a zero-rated supply for which the rate is equal to zero.
7. Accordingly, before deciding if the tax on insurance premiums applies to an amount that is deemed to be an insurance premium, one must always verify if that amount constitutes consideration for a taxable supply under the QST system other than a zero-rated supply.

**8.** For example, if an amount is deemed to be an insurance premium and also constitutes consideration for the taxable supply of a membership right under Title I of the Act, that amount will be subject to QST.

**9.** However, in the same example, if that amount constitutes consideration for the supply of a financial service under Title I of the Act and the supply is zero-rated under paragraph 1 of section 198 of the Act, then that amount will be subject to the tax on insurance premiums.

**10.** This bulletin has effect from July 1, 1992.