

## HARMONIZATION WITH NEWS RELEASE 2018-065 OF THE DEPARTMENT OF FINANCE CANADA

Like the goods and services tax and the harmonized sales tax (GST/HST) system, the Québec sales tax (QST) system provides rules for holding corporations that generally allow a parent corporation to claim input tax credits to recover GST/HST paid in respect of expenses related to another corporation.

Furthermore, neither of these tax systems provide for the suspension of the limitation period for the issuance of an assessment as of the earlier of the day on which a formal demand for information is notified by registered mail or by personal service, or the day a compliance order is filed.

On July 27, 2018, the Department of Finance Canada made public, in a news release,<sup>1</sup> draft legislative and regulatory proposals relative to the GST/HST concerning, in particular, both matters. More specifically, changes to certain aspects of GST/HST holding corporation rules have been proposed. It has also been proposed that, where the person files an application for judicial review in respect of a requirement for information (other than a requirement for foreign based information or document) or where the person files a notice of appearance, or otherwise challenges a compliance order, the time frame for issuing an assessment to this person be extended.

In accordance with the principle of general harmonization of the QST system with the GST/HST system, changes will be made to the Québec tax system to incorporate, with adaptations on the basis of its general principles and with its specific features and the provincial context underlying the QST taken into account, the federal proposals related to:

- the GST/HST holding corporation rules;
- reassessment periods – requirements for information and compliance orders.

Furthermore, the amendments to the Québec tax system pertaining to the extension of the period for issuing an assessment where a requirement for information or compliance order regarding information is being contested will apply whether or not the information is held abroad.

The other federal amendments announced—the measure concerning the GST/HST rebate for printed books for qualifying public service bodies and the measure concerning the sharing of information relating to criminal matters—will not be retained since, in the former case, the QST system is satisfactory, and in the latter case, the amendments do not correspond to the features of Québec's tax system.

<sup>1</sup>

DEPARTMENT OF FINANCE CANADA, NEWS RELEASE 2018-065, "Department of Finance Canada Consulting Canadians on Draft Tax Legislative Proposals," July 27, 2018, <https://www.fin.gc.ca/n18/18-065-eng.asp>.

**□ Application dates**

The amendments regarding the QST system will be passed only following assent to any federal statute giving effect to these GST/HST measures, taking into account technical amendments that may be made prior to assent.

The amendments will apply on the same dates as those retained for the purpose of the application of the federal measures with which they harmonize, subject to the necessary adaptations, particularly in regard to certain amendments to holding corporation rules regarding financial services with which the QST system has been harmonized only since January 1, 2013.

In addition, the amendments to the Québec tax system pertaining to the extension of the period for issuing an assessment where a requirement for information or compliance order regarding information held abroad is being contested will apply to requirements for information or compliance orders being contested after the day of publication of this information bulletin.

For information concerning this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus et des politiques locales et autochtones at 418 691-2236.

The English and French versions of this bulletin are available on the Ministère des Finances website at [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca).