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# GST/QST: Two Misunderstood Components That Can Help You Optimize Your Projects

## MANAGEMENT BEST PRACTICES FOR YOUR MUNICIPALITY

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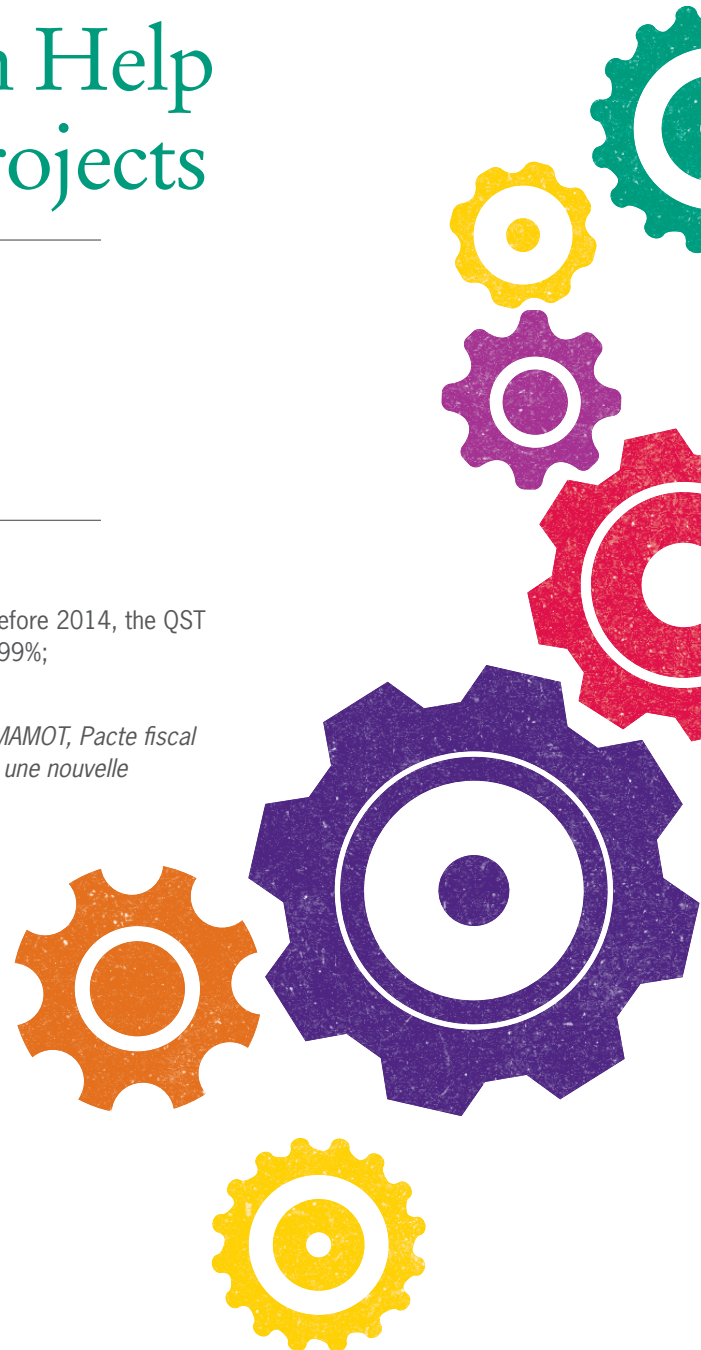
### DID YOU KNOW...

- In large projects, the QST can represent a significant cost for municipalities. Before 2014, the QST was 9.975%, in 2014 it was 3.71% and since January 1, 2015, it has been 4.99%;
- The QST partial rebate decreased from 62.8% to 50% since January 1, 2015;
- The QST refund to municipalities for 2015 is estimated at \$396.9M (Source: *MAMOT, Pacte fiscal transitoire concernant les transferts financiers aux municipalités pour 2015 et une nouvelle gouvernance régionale*).

### ISSUES

### COMMODITY TAXES OFTEN REPRESENT AN ADDITIONAL FINANCIAL BURDEN FOR MUNICIPALITIES AND PARAMUNICIPAL ORGANIZATIONS, NAMELY WHEN IT COMES TO:

- Infrastructure renovation/construction projects involving, e.g.:
  - Arenas and aquatic centres;
  - Multifunctional centres;
  - Concert halls;
- Real estate transactions (purchase, lease, emphyteutic lease, surface rights, exchange, etc.);
- Service exchange with other organizations, such as school boards;
- Subsidies granted to organizations, which are often service contracts.



## BEST PRACTICES

Municipalities must acquire an internal commodity tax policy to minimize the impact of commodity taxes:

- Properly qualify types of municipality income and their treatment for GST/QST purposes. Since the QST-GST harmonization, certain moveable and immovable properties have become taxable;
- Set up a contract and tax clause review process;
- Become involved at the start of a construction project to properly plan transactions and minimize the tax impact;
- Establish allocation for buildings that have a commercial use to determine the commercial activity percentage used to claim 100% of inputs;
- Review the allocation rules annually, since, often, they were established several years earlier;
- Monitor the changes in use of these buildings because the commercial percentage may also change, which would affect the input claims;
- Review elections that were filed with respect to municipal buildings;
- Ensure that the municipality has claimed all refunds to which it is entitled. Since harmonization, the sale of moveable and immovable property is taxable under the QST regime (this was so under the GST regime), but a refund may be claimed for previously paid QST;
- To claim refunds for municipalities, verify the possibility of designating para-municipal organizations as “municipalities” for tax purposes.

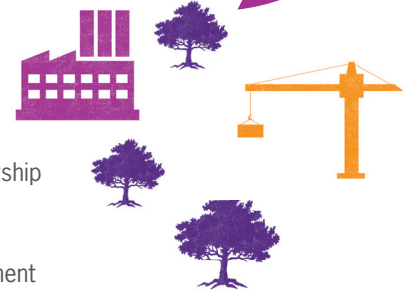
## CONDITIONS FOR SUCCESS

- Create synergy between the various municipal departments (leisure, urban planning, legal, finance, etc.) to develop sound commodity tax reflexes;
- Emphasize training and keep employees up-to-date so they can recognize the GST/QST-related opportunities or risks.

## YOUR INVOLVEMENT... FROM SOCIAL TO INFRASTRUCTURE PROJECTS

- Social housing
- Sustainable development
- Ferry
- Recycling
- Hydroelectric dams and wind turbines
- Library
- Leisure
- Economic vitality
- Industrial parks
- Infrastructures
- Public-private partnership
- Transportation
- University alliance
- Real estate development

You can minimize the QST impact in all these projects!



## EXPECTED RESULTS

- Appropriate tax treatment;
- Risk control;
- Maximizing GST/QST refund;
- Minimizing tax costs.



The various municipal departments must work together closely to identify and deal with any potential GST/QST issues.

Ultimately, better commodity tax management within a municipality can only benefit all citizens.

During large infrastructure projects, municipalities invest considerable effort and often ask for expert reports to save 1% or 2%. Sound QST planning results in savings of 3% to 5%!

Contact us!  
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