

Fees for no-shows: restaurant owners must remit the GST and QST included



On-line Tax Strategies*

Since July 17, 2025, restaurant owners in Québec have been able to charge a fee of up to \$10 per person when a reservation is not honored. These fees, although imposed as compensation, will be subject to the goods and services tax (hereinafter the “GST”) and the Québec sales tax (hereinafter the “QST”) under a specific rule of tax law.

Even if no goods or services are provided in the event of a “no show,” the *Excise Tax Act* and the *Act respecting the Québec sales tax* provide that amounts paid as a result of the non-performance of a taxable agreement (such as a meal) are deemed to include taxes.

Thus, even in the absence of services rendered or goods sold, the receipt of amounts paid as a result of the non-performance of an agreement for a taxable supply, such as a meal at a restaurant, has GST/HST and QST implications.

In practice, taxes are calculated using a formula that allows the amount of the deemed consideration paid for the supply to be calculated once the tax has been extracted from the total amount collected. Subsequently, the person is deemed to have paid and the supplier to have collected the GST/HST and QST, if applicable, calculated on this deemed consideration.

The GST/HST and QST deemed to have been collected must be remitted by the registered supplier in their net tax return. The registered supplier therefore receives only the net amount of the taxes as compensation.

In order for a restaurant owner to charge these fees, certain conditions must be met: the customer must have been informed in advance of the fee policy, written confirmation of the reservation must be requested between 6 and 48 hours before the scheduled time, a cancellation link must be provided and accessible at all times, and the fees can only be charged after the reservation time.

Example of tax calculation for a \$10 charge:

- GST (5%): \$0,48;
- QST (9.975%): 0.91\$;
- Restaurant owner’s income/compensation: 8.61\$.

Implementation and objectives of fees

In this context, a warning must be issued to Québec restaurant owners to calculate taxes within the fees charged for reservations that are not honored, unlike taxes for food and beverage charges, which are usually calculated on the pre-tax price.

It is important to note that other industries and businesses are also considering implementing this type of fee for no shows (hotels, motels, spas, bed and breakfasts, and similar establishments).

Your Raymond Chabot Grant Thornton advisor can help you determine which measures apply to your situation and assist you with the necessary steps to implement them. Don’t hesitate to request a consultation.

For further information, visit our website rcgt.com.

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