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The Minister of Finance Announces Legislative Amendments Pursuant to the Agreement on Harmonization of Sales Taxes with the Federal Government

Québec, May 31, 2012 – The Minister of Finance of Québec, Raymond Bachand, today announced the changes that will be made to the Québec sales tax (QST) system to further harmonize it with the federal goods and services tax (GST) and harmonized sales tax (HST) system. In so doing, he is acting on the comprehensive integrated tax coordination agreement the governments of Canada and Québec entered into on March 28, 2012 as well as the memorandum of agreement reached on September 29, 2011.

“The changes being announced today are technical in nature and will have no impact on the tax burden of Québec’s consumers. All the existing exemptions (books, diapers for infants, etc.) are maintained,” the Minister pointed out.

These changes, implementing the harmonization undertakings applicable in 2013, essentially stipulate that:

- the QST will no longer apply on the GST as of January 1, 2013. To ensure that this removal has no impact on Québec’s public finances, the 9.5% rate of the QST will, at the same time, be raised to 9.975%, i.e. the effective rate of the QST applicable until then;
- suppliers of financial services will no longer be entitled to a refund of tax paid on their purchases of inputs as of January 1, 2013, as is currently the case in the GST/HST system. As a corollary, the portion of the compensation tax on financial institutions attributable to the impact on public finances of allowing this refund to these suppliers will be eliminated as of the same date;
- the existing exemption mechanism from payment of taxes by governments will be replaced by a tax payment and rebate mechanism as of April 1, 2013, which will ease the administrative burden on businesses.

[Information Bulletin 2012-4](#), released today, describes how these changes will be implemented.

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Source: Catherine Poulin
Communications Director
Office of the Minister of Finance, Minister of Revenue
and Minister responsible for the Montréal region
418 643-5270

514 873-5363