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## Canadian tax alert

# Revenu Québec increases requirements for the construction and personnel placement agency industries

February 2, 2016

In the 2014-2015 budget<sup>1</sup>, in its efforts to restore order to public finances, the Ministère des Finances du Québec announced its intention to introduce new tax compliance certification requirements for two industries: construction and personnel placement agencies. Legislative measures were thus implemented<sup>2</sup> to require a tax compliance certificate for contracts in these industries.

### Construction

The new measures, in effect for contracts entered into on or after March 1, 2016, apply to all construction contracts performed in Quebec, including public construction contracts which are already subject to certain requirements under the *Act respecting contracting by public bodies*.

These measures set out obligations for contractors and subcontractors, who must own an establishment in Quebec and hold a licence to perform the work under the *Building Act*.

These requirements will apply to contracts between contractors and subcontractors that sum to equal or greater than \$25,000 (before taxes) and are entered into on or after March 1, 2016. Once the threshold has been reached, certificates between the parties will be required for any subsequent contracts.

### Contractor's obligations

A contractor has two obligations:

1. Obtain a valid certificate

A contractor must obtain a certificate from the subcontractor between the contract bid date and the seventh day after the work begins.

A contractor that fails to obtain a valid certificate will be liable for penalties ranging from \$500 to \$2,500. An additional penalty of \$250 to \$5,000 applies if the contractor has already made a payment to the subcontractor under the contract.

2. Verify the authenticity of the certificate

The certificate's authenticity must be verified not later than the tenth day after the date the work begins, using Clic Revenu electronic services.

<sup>1</sup> Tabled on February 20, 2014.

<sup>2</sup> Starting at section 1079.8.16 of the *Taxation Act* (introduced by Bill 28 (2015, c. 8) and assented on April 21, 2015).

The certificate verification service is available at the following address:  
[http://www.revenuquebec.ca/en/sepf/services/sgp\\_amr\\_verif/default.aspx](http://www.revenuquebec.ca/en/sepf/services/sgp_amr_verif/default.aspx).

A penalty, ranging from \$250 to \$1,250, will also apply if a contractor fails to verify the certificate's authenticity. In addition, for a subsequent offence within three years, the penalties set out in the legislation are doubled. Revenu Québec has stated that it intends to only apply the penalties as of September 1, 2016.

### **Subcontractor's obligations**

A subcontractor must, in the period that begins on the bid date and ends on the seventh day after the work begins, hold a valid certificate from Revenu Québec and give a copy to the contractor.

A subcontractor must apply for the certificate from Revenu Québec using Clic Revenu electronic services. A certificate may be requested at the following address:  
[http://www.revenuquebec.ca/en/sepf/services/scr\\_amr\\_demande/default.aspxf](http://www.revenuquebec.ca/en/sepf/services/scr_amr_demande/default.aspxf).

Revenu Québec will issue a certificate to a person that, on the date specified in the certificate, has filed the returns and reports required under fiscal laws (income tax, GST/QST, source deductions) and has no overdue amount payable.

A certificate is valid until the end of the three-month period following the month in which it was issued. However, as an exception, certificates issued during the first year after the legislation takes effect on March 1, 2016 may be valid between three to five months to ease the administration of the certificates. For all contracts obtained during the certificate validity period, the same certificate may be given to all contractors. Keep in mind that for the construction industry, the certificate only has to be valid at the beginning of a contract. There is no obligation to provide a valid certificate throughout the course of a contract.

If a subcontractor has already submitted a certificate for an earlier construction contract to a contractor and the certificate is still valid within the time limits for submitting a certificate to this contractor in respect of a new contract, the subcontractor is deemed to have submitted a certificate for the new contract.

In an emergency that threatens human safety or property, it may be possible to disregard the certification requirements.

A subcontractor that fails to provide a valid certificate is liable for penalties ranging from \$500 to \$2,500. An additional penalty of \$250 to \$5,000 applies if the subcontractor has already received a payment under the contract.

In addition, for a subsequent offence within three years of a first offence, the penalties will be doubled. Revenu Québec has stated that it intends to only apply the penalties as of September 1, 2016.

In the case of partnerships or joint ventures, each partner or joint venturer must provide a separate certificate.

### **Personnel placement agency**

A personnel placement agency is a person (individual, corporation, partnership or other) operating a business that provides personnel placement or temporary help services. A personnel placement or temporary help contract must provide workers to meet temporary workforce needs.

The obligations, time limits and penalties are the same as for the construction industry, except as follows:

- A placement agency must give a copy of the certificate to a client (rather than a contractor).
- The legislative measures do not appear to restrict the application of these rules to contracts performed only in Quebec.
- An agency must renew its certificate when it expires throughout the course of a contract.

For more details or information, or to find out how the above rules apply to your situation, please consult a Deloitte tax specialist in your area.

*Chantal Dufort, Drummondville*

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