

Canada
Tax

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GST-QST News:

Revenu Quebec is increasing its audit activities in the Public Sector

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During the last few months, we have noticed an increase in GST and QST audits by Revenu Québec of public sector bodies, including not-for-profit organizations, charities, municipalities, Regional county municipalities (MRC), Health and social services centres (CSSS), hospitals, etc.

We understand that there have been a number of issues identified by Revenu Quebec resulting in reassessments. Going forward, it will be in an organization's best interest, both financially and from a governance perspective, to review their practices and prepare for a possible audit.

In the past, public sector bodies were not necessarily subject to GST and QST audits by Revenu Quebec but based on recent activity, we do not expect that this is going to be the case in the future.

Revenu Québec has assembled a strong and specialized team dedicated to performing audits of those organizations.

Revenu Quebec's audit team will review the following elements where they are applicable:

- Discrepancies in the reconciliation of GST/QST collected on sales and GST/QST paid on purchases;
- Application of taxes to non routine transactions;
- Amounts received or paid as damages under a contract;
- Refund claims for taxes paid on insurance premiums;
- Refund claims for the provincial component of HST;
- Collection of taxes, since April 1, 2013, on taxable supplies made to previously exempt entities (Departments and other prescribed organizations);
- Collection of taxes on subsidies;
- Barter transactions;
- Supply of goods and services for no consideration between non-arm's length persons;

- Self-assessment of taxes on purchases from non-residents of Canada or Quebec; and
- Refund of taxes paid on various expenses such as:
 - employee expenses; and
 - allowances paid to employees (other than via expense reports).

It is strongly recommended to thoroughly review the application of taxes to your operations, to avoid surprises or, at least, be well prepared in the event of a GST/QST audit.

Since the GST/QST rules applicable to public sector bodies are numerous and complex, do not hesitate to contact the Deloitte Indirect Tax specialist of your region for assistance.

Michel Lagrange, Montreal

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