

## Consumer Taxes

TVQ. 457.1-1/R1

Food, Beverage and Entertainment Expenses

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Reference(s): *Act respecting the Québec sales tax* (CQLR, c. T-0.1), sections 457.1 and 457.1.4  
*Taxation Act* (CQLR, c. I-3), sections 134 and 421.1

*This version of interpretation bulletin TVQ. 457.1-1 replaces that of May 31, 2001. The bulletin was revised to reflect legislative amendments made to the Québec sales tax system. Stylistic changes were also made.*

This bulletin discusses how sections 457.1 and 457.1.4 of the *Act respecting the Québec sales tax* (AQST) apply with respect to the restrictions on obtaining an input tax refund (ITR) in respect of a food, beverage or entertainment expense.

### APPLICATION OF THE ACT

1. Section 457.1 of the Act provides that if an amount becomes due from a person, or is a payment made by a person without having become due, in respect of a supply of property or a service made to the person and section 421.1 of the *Taxation Act* (TA) applies in respect of the amount, the person must generally add an amount corresponding to 50% of the ITR claimed in determining their net tax.
2. Under section 421.1 of the TA, an amount paid or payable in respect of food, beverages or entertainment consumed or enjoyed by a person is deemed to be equal to 50% of the lesser of the amount paid or payable in respect thereof, and the amount that would be reasonable in the circumstances.
3. In addition to the restriction set out in section 457.1 of the AQST, section 457.1.4 of the AQST sets a limit on the ITR a person can claim. When section 421.1 of the TA applies and the food, beverage or entertainment expense is incurred to earn business or property income, the person must also add any ITR claimed in excess of the limit in determining their net tax.
4. The restrictions under sections 457.1 and 457.1.4 of the AQST apply even when the food, beverages or entertainment are elements of a supply, without being the main component.

5. Sections 457.1 and 457.1.4 of the AQST merely refer to section 421.1 of the TA without taking into account the other provisions of the TA that could apply to a particular expense and modify its deductibility for income tax purposes.

6. For example, the rental of an outfitter's lodge constitutes an entertainment expense within the meaning of section 421.1 of the TA. In other respects, this expense is not deductible under section 134 of the TA. In fact, section 134 of the TA provides that no amount disbursed or expended by the taxpayer for the use of a yacht, a lodge, a camp or a golf course or facility may, in general, be deducted in computing the income from a business.

7. In this case, section 457.1 of the AQST applies, since the rental expense is deemed, under section 421.1 of the TA, to correspond to 50% of the lesser of the amount paid or payable and the amount that would be reasonable in the circumstances. Consequently, the person who incurs this expense may, subject to the conditions provided for in the Québec sales tax system, claim an ITR in respect of this expense. However, in accordance with section 457.1 of the AQST, 50% of the amount of the ITR claimed must be added in determining their net tax. The person must also include the portion of any ITRs claimed in excess of the limit provided by section 457.1.4 of the AQST in determining their net tax.