

File: 2003-4112(GST)I

BETWEEN:

9103-9438 QUÉBEC INC.,

Appellant,

and

HER MAJESTY THE QUEEN,

Respondent.

Appeal heard on March 23, 2004, at Chicoutimi, Quebec

Before: The Honourable Judge François Angers

Appearances:

Counsel for the Appellant: Paul Guimond

Counsel for the Respondent: Ghislaine Thériault

JUDGMENT

The appeal from the assessment made under the *Excise Tax Act*, notice of which bears number 144251659RT, dated January 31, 2003, for the period from May 1 to July 31, 2002, is allowed, and the assessment is referred back to the Minister for reconsideration and reassessment in accordance with the attached Reasons.

Signed at Edmundston, New Brunswick, this 6th day of July 2004.

“François Angers”

Angers J.

Reference: 2004TCC466

Date: 20040706

File: 2003-4112(GST)I

BETWEEN:

9103-9438 QUÉBEC INC.,

Appellant,

and

HER MAJESTY THE QUEEN,

Respondent.

REASONS FOR JUDGMENT

Angers J.

[1] This is an appeal concerning an assessment issued on January 31, 2003, and made under subsection 191(3) of the *Excise Tax Act* (the “**Act**”). The assessment, which bears number 144251659RT, is for the period from May 1 to July 31, 2002.

[2] The appellant, 9103-9438 Québec Inc. (“**9103**”), purchased a building located at 272, rue du Séminaire in the City of Saguenay on December 4, 2001, for \$125,000. The building, which was formerly a school, has three floors and a basement. Two of the floors were substantially renovated to create accommodations. The renovated part includes six units of four and a half rooms and two units of two and a half rooms.

[3] The work was done by Construction Richard et Fils Inc., a corporation related to 9013. It was substantially completed at the beginning of the summer of 2002, and the first lease took place on July 1, 2002.

[4] As this was an old building, 9103 received a grant of \$100,000 to cover part of the cost of renovating the building as part of the *Programme de revitalisation des vieux quartiers* funded by the City of Saguenay and the *Société d'habitation du Québec*. The grant was used for what the experts described as standardization, which means bringing the building up to current construction standards, owing to the building's age.

[5] The parties did not dispute that 9103's activities ensure that, pursuant to subsection 191(3), it supplied itself with a multiple unit residential complex and at this time, July 1, 2002, would therefore have to self-assess based on the fair market value of the complex. For these reasons, hereinafter I am setting out subsection 191(3) of the Act:

191(3) For the purposes of this Part, where:

- a) the construction or substantial renovation of a multiple unit residential complex is substantially completed,
- b) the builder of the complex
 - (i) gives, to a particular person who is not a purchaser under an agreement of purchase and sale of the complex, possession of any residential unit in the complex under a lease, licence or similar arrangement entered into for the purpose of the occupancy of the unit by an individual as a place of residence,
 - (i.1) gives possession of any residential unit in the complex to a particular person under an agreement for
 - (A) building or part thereof forming part of the complex, and,
 - (B) the supply by way of lease of the land forming part of the complex or the supply of such a lease by way of assignment, or
 - (ii) where the builder is an individual, occupies any residential unit in the complex as a place of residence, and,
- c) the builder, the particular person or an individual who is a tenant or licensee of the particular person is the first individual to occupy a residential unit in the complex as a place of residence after substantial completion of the construction or renovation,

the builder shall be deemed

- d) to have made and received, at the later of the time the construction or substantial renovation is substantially completed and the time possession of the unit is so given to the particular person or the unit is so occupied by the builder, a taxable supply by way of sale of the complex, and
- e) to have paid as a recipient and to have collected as a supplier, at the later of those times, tax in respect of the supply calculated on the fair market value of the complex at the later of those times.

[6] Therefore, the issue is to determine the fair market value of the building on July 1, 2002. The complex was built in 1912 and was used as a school until it was purchased by 9103. It has an area of 3,444 sq. ft. per floor and is built on 16,925 sq. ft. of land. The building is located in an old sector of the city of Chicoutimi and receives all of the services and benefits of a neighbourhood with good services.

[7] Each party had a chartered appraiser testify. The appellant's appraiser, Mr. Pierre Doré, prepared two valuations. The first had been completed before the renovation work was carried out. For that purpose, he had used the estimates of the expected renovation costs. The valuation had been done to allow 9103 to apply for financing to financial institutions. The second valuation had been done to respond to the instant case, and since the valuation had been done after the renovations, it had been possible to use more concrete figures.

[8] Mr. Doré has been a chartered appraiser since 1987. He was a partner in a consulting appraisal firm in the Saguenay region until 2004. He is now a municipal appraiser for the City of Saguenay. 9103 engaged his services to generate the first report to support the financing application made to renovate two floors and convert them into housing units, as described above. To do this, Mr. Doré used the construction plan and the expected cost of the construction. He decided on a fair market value of \$465,000 for the building using three recognized property valuation approaches, namely the cost, direct comparison, and income approaches. These approaches produced valuations of \$489,000, \$466,900, and \$462,000 respectively.

[9] His second report (Exhibit A-1) had been prepared for the purposes of this case and the issue to be decided. Therefore, the fair market value had been established on July 1, 2002, using data that was much more concrete owing to the fact that the renovations had been completed and their cost had been determined.

The fair market value of the building had been valued at that time at \$425,000; the author of the valuation had used the same three recognized approaches to obtain this amount. The approaches had produced the following results: a fair market value of \$429,000 based on the cost approach, \$425,500 based on the direct comparison approach, and \$410,000 based on the income approach. According to Mr. Doré, it is his duty to take these three recognized valuation approaches into consideration so that he can issue an opinion on a building's fair market value. His report was well documented and included all of the relevant points. Some of the relevant factors it contained included the fact that the municipal valuation at the time of the purchase was \$246,500, whereas the purchase price was only \$125,000.

[10] In his testimony, Mr. Doré pointed out some specific details about each of the approaches he used. It is worthwhile repeating the conclusion of his report, which is found on pages 54, 55, and 56:

[TRANSLATION]

CORRELATION AND FINAL SALE

Correlation is the final stage in the valuation process, and it consists of checking the indications provided by each of the valuation approaches in order to minimize any gaps, where applicable.

Summary of the results according to the various valuation approaches:

COST	\$429,000
DIRECT COMPARISON	\$425,500
INCOME	\$410,000

The depreciated replacement **cost approach**, which is a means of indirect proof, is used when it is impossible to use the direct comparison or income approaches to measure the value of a building.

The use of this approach is based on some subjective information, such as depreciation, that increases the risk of error as well as on a complexity of adjustments that affect the final answer of this approach.

For these reasons, we are of the opinion that the market value obtained by this approach will need to corroborate with the other two valuation approaches.

The direct comparison approach is an approach that essentially seeks to predict a property's most likely sales price by comparing it with another property of the same type.

In addition to being a means of direct proof, this approach remains a tool that is used a great deal by buyers and sellers since it reflects their own conduct in the market.

In this case, it allowed us to analyze some indications of the activity considering the type of property to be valued and the use of the transactions analyzed. In the analysis table, we note that there is a deficiency in the representative market for a property like the property to be valued; however, the comparables selected make these conclusions reliable.

The results obtained are representative of the market value of the subject and they corroborate with the other valuation approaches.

The income approach consists of capitalizing the standardized annual net income of a building at the capitalization rate from the market to indicate the building's market value.

It stands to reason that a building that generates income must be analyzed based on its income. This approach will take into account the building's profitability and will capitalize the net income using a rate from the market.

We also analyzed the building in this manner, choosing the income capitalization approach, that is, the monetary flow approach (Elwood).

Owing to the type of property, we believe the value obtained using the income approach is the best indicator of its market value. However, the value obtained using the direct comparison approach is also a good indicator of the market value considering that this approach is a means of direct proof.

CERTIFICATION

We hereby certify that

we have visited and inspected the property under review and considered all of the relevant factors that may affect the value of this property;

we have no current or future interest in the property under review and declare that the amount of our fees is in no way connected to the estimated values;

the data gathered during the investigation remains subject to the restrictive conditions contained in this report;

we have acted to the best of our knowledge and beliefs; and

we hereby conclude a definitive market value as of July 2002 of

\$425,000

The proportion of the market value attributable to the commercial part is estimated at 35%, namely the central tendency obtained from the area used (37.5%), the commercial part vs. the total area, and the source of rental income (32.3%) from the commercial part vs. the total income.

[11] The information provided by Mr. Doré included comments that I find relevant to this case, such as the fact that, contrary to construction, when renovating, there are often unexpected situations, and the cost of demolition must be considered before the cost of reconstruction. With the income approach, some expenses that must be incurred when renovating will not result in increasing the income. In this case, the standardization of the building, which the grant was used to pay for, will have no impact on the income. Mr. Doré emphasized that the fair market value is a broader concept than the simple concept of cost in terms of renovating an old building. In this case, he also referred to the large common areas and the two staircases at both ends of the building to partially justify some functional obsolescence in his cost approach.

[12] According to Mr. Doré, the income approach is the most important approach for the building in question. It is an old building, and it should be taken into consideration that some repairs will need to be done without however increasing the income. The commercial and residential nature of the building must also be taken into account when using the direct comparison and income approaches.

[13] The actual renovation costs are approximately \$366,000. Ms. Nadia Potvin testified that this entire amount had not been used just to redo the two floors in question; part of the money had been used for the commercial part of the building for work related to the electricity, plumbing, staircase, ventilation system (which, according to her, had alone cost \$50,000), mechanics, and demolition costs.

[14] The respondent had Mr. Gilles Vézina testify as an expert in property valuation; he has 23 years of experience in this area. He is employed by the Minister of Revenue of the Government of Quebec, and he prepares these types of valuations. He maintained that, when determining the fair market value of real property, the purpose and the goal are extremely important. According to Mr. Vézina, the best value must be sought within the context of a given act. Therefore, his valuation in this case was carried out with an aim to determine the fair market value for purposes of the goods and services tax. The Act deems that the builder sold and repurchased the building at its fair market value. Since it is a multi-occupancy building, he prepared his valuation so that the supply to be taxed would be separate and not incidental in any way to the other use.

[15] Therefore, he did his calculation of the fair market value using the actual renovation cost for all eight housing units without the contributory value of the land and the existing parts of the old building such as the foundations, the outside walls, the structure, and the roof. He then considered the contributory value of the land and the existing building to be 20% of the total cost of the housing unit renovations. I will repeat his calculations and his conclusion here.

[TRANSLATION]

Calculation of the fair market value

The actual renovation cost for all eight (8) housing units is \$366,039.25 without the contributory value of the land and the existing parts of the old building such as the foundations, the outside walls, the structure, and the roof.

In calculating the FMV, the contributory value of both parts, the land and the existing building, must be considered. We estimate this contributory value to be at 20% of the total cost of renovating the housing units.

– Actual construction costs for the housing units \$366,039.25

– Contributory value for the housing part, the land, and the existing construction (\$366,039.25 x 20%)	\$73,207.85
	<u>\$439,247.10</u>
– Developer’s profits: 4% (\$439,247.10 x .04)	\$17,569.88
	<u>\$456,816.98</u>

Value rounded off at \$456,800

Economic or income approach

Potential gross income

6 units at \$690/month =	\$4,140
2 units at \$300/month =	<u>\$600</u>
	\$4,740 x 12 = \$56,880

The potential gross income multiplier is estimated at 8.0 since the units are leased by a public body. The lease is long term for all of the units, and the losses for non-lease and bad debts are virtually nil.

Indicator of value: \$56,880 x 8.0 = \$455,040
Value rounded off at \$455,000

Conclusion

In light of these results, I am of the opinion that the fair market value of the part converted into rental housing units is \$456,800. This amount corresponds to the amount that would have been paid by a person who had engaged the services of an arm’s length builder to purchase this residential building once completed.

[16] He used the actual construction cost of the units based on the information obtained from the appellant’s representative. The established fair market value includes the goods and services tax (GST) and the Quebec sales tax.

[17] In his second report, he made some adjustments to some of the fees associated with the part considered to be unrenovated and adjusted the value to \$460,200 without changing his previous conclusion regarding the fair market value.

[18] He also established the reproduction cost at \$467,800 by adding half of the \$100,000 grant as a surplus cost owing to the preservation of the external architecture and the requirements of construction standards.

[19] Mr. Vézina also established a fair market value based on the income approach. He obtained values of \$446,698 or \$454,576, depending on whether he used the actual rent for the building or the economic rent. In the calculation based on the actual income, Mr. Vézina added half of the \$100,000 grant and used a 7.25% mortgage rate and a 7.5% rate of return on the funds. The second amount was obtained using economic rent based on APCHQ data published in the Québec Habitation journal in November and December 2001. This economic rent was higher than the building's actual rent. The \$100,000 grant did not seem to have been taken into consideration when determining the building's fair market value using the economic rent approach. Lastly, Mr. Vézina deemed that the direct comparison approach was not appropriate for determining the building's fair market value.

[20] Therefore, the two experts used different approaches in the sense that the appellant's expert took into account the three recognized approaches by giving each of them respectively the weight they deserved to obtain the fair market value of \$425,000, including taxes. From that amount he deducted 35%, the proportion attributable to the commercial part of the building, in order to establish the value of the supply for the purposes of calculating the GST. The respondent's expert used only the cost approach based on the actual cost of the renovations plus a percentage of the contributory value of the building and a 4% profit for the entrepreneur in order to establish a fair market value of \$456,800, including taxes. Based on his conclusion, this fair market value is the value of the part converted into rental housing units and it establishes the value of the supply for the purposes of calculating the GST. The difficulty with these two approaches is that the value determined by the respondent's expert for the conversion of the two floors into housing units is \$31,800 higher in relation to the fair market value of the entire building according to the appellant's expert.

[21] Now if I compare the valuations of the two experts using only the cost approach alone, the appellant and the respondent have suggested a fair market value of \$429,000 and \$467,800 respectively. Essentially, the difference between the two valuations is that the respondent's expert included half of the grant in his calculations. In my opinion, although the grant allowed the appellant to make renovations at a lower price, its influence on the market value of buildings like this is minimal based on the fact that, without these types of grants, it would be

impossible to make such projects profitable and enable these housing units to be leased at a competitive rate. In fact, it would be nearly impossible to consider renovating these old buildings without the possibility of receiving these types of grants.

[22] The explanatory notes concerning Bill C-25 published by Canada's Minister of Finance regarding subsection 191(3) read as follows:

Subsections 191(3) and (4) provide the applicable self-supply rules in the case of a multiple unit residential complex such as an apartment building and an addition to such a complex, respectively [...] The builder is required to remit GST/HST on the fair market value of the complex or addition.

[23] The definitions of the terms "fair market value" and "substantial renovation" in subsection 123(1) of the Act are as follows:

"**fair market value**" of property or a service supplied to a person means the fair market value of the property or service without reference to any tax excluded by section 154 from the consideration for the supply.

"**substantial renovation**" of a residential complex means the renovation or alteration of a building to such an extent that all or substantially all of the building that existed immediately before the renovation or alteration was begun, other than the foundation, external walls, interior supporting walls, floors, roof and staircases, has been removed or replaced where, after completion of the renovation or alteration, the building is, or forms part of, a residential complex.

[24] Our court examined various decisions with regard to the meaning of the term "fair market value" and the use of the cost approach when applying subsection 191(3) of the Act. These decisions do not dismiss the use of the two other approaches when the circumstances are appropriate. I am setting out some passages here that are relevant to some of these decisions.

[25] In *Charleswood Legion Non-Profit Housing Inc. v. Canada*, [1998] T.C.J. No. 503 (Q.L.), Archambault J. of this court summarized the meaning of the term "fair market value."

[40] It would be useful to set out the meaning of "fair market value" that has been adopted by the courts. In *Re Mann Estate*, [1972] 5

W.W.R. 23, at p. 27, aff'd [1973] CTC 561 (B.C.C.A.), aff'd [1974] CTC 222 (S.C.C.), we find this definition :“ *‘fair market value’ is the highest price available estimated in terms of money which a willing seller may obtain for the property in an open and unrestricted market from a willing, knowledgeable purchaser acting at arm’s length*”.

[26] In *Timber Lodge Ltd. v. Canada*, [1994] T.C.J. No. 934 (Q.L.), Taylor J. of this court believed that the cost approach should not be eliminated. Taylor J. had difficulty seeing how it was possible for the fair market value of a nearly new building to be less than the actual cost of the building (e.g., the renovation costs) when the building’s depreciation is not a factor that needs to be taken into consideration. Therefore, the subsequent losses cannot be taken into consideration immediately when valuating the fair market value of the building at issue. The Court wrote the following:

[...] The quarrel I do have is in eliminating in both reports, the Cost Approach, although I do understand the reasons they put forward for doing so. The fact is that on both of these buildings, construction was completed on the very date on which appraisal is required. Of course there would be little if any value to a restructuring of an amount to accomplish "replacement or reproduction costs," and no purpose would be served in going through that exercise. But to eliminate, ignore, or denigrate the usefulness for appraisal purposes of that very total actual cost which had been accumulated during construction and culminated on that very day (144 Maypoint, March 31, 1991, and 148 Maypoint, July 31, 1991) leaves me in serious disagreement. In all the hundreds of appraisal reports and opinions to which I have been exposed over the years, I can not recall one upon which the relevant date coincided exactly with the end of construction, and the resultant calculations of total costs. For me, barring any direct and incontestable variation in that amount of cost, it should also serve as value, and indeed as fair market value.

[...]

[...] Fair market value, must first of all be fair, and amounts of \$490,000.00 each for the buildings' stretches credibility when the actual cost is the starting point, and there is no requirement for depreciation, etc. Perhaps one other way of clearly demonstrating such an alleged dramatic decrease in value would be the filing of accredited financial statements showing continuing losses over a period of time from maximum rentals obtainable, but even that would be subject to serious question. That of course could only happen at some future date, not on the date of completion of

construction. None of this, or anything even closely resembling it was presented at the trial. The Respondent's appraisal amounts, while in themselves subject to question, have not been seriously challenged by the Appellant's reports.

[27] In the above-mentioned *Charleswood Legion Non-Profit Housing Inc.*, Archambault J. of this court concurred with the conclusions of Taylor J. in *Timber Lodge Ltd.* by stating that a building's fair market value equals its cost less inefficiencies such as cost overruns. The Court wrote the following:

[46] I believe that the Cost Approach should not have been ignored by the two experts. In circumstances such as those in this case, the fair market value should be very close to the cost paid by the Appellants because the two buildings were brand new at the relevant valuation date. This is the approach followed by my colleague judge Taylor in *Timber Lodge Limited v. The Queen*, [1994] G.S.T.C. 73. Here we do not have to apply any adjustments for economic depreciation, which would have been the case had the valuations taken place several years after the construction of the buildings. [...]

[47] There may be special circumstances in which some of the costs incurred for the construction of a building may not be reflected in its fair market value. For example, if there were cost overruns and other inefficiencies during construction, the cost of such property may be above its fair market value. [...]

[28] Again in *Charleswood Legion Non-Profit Housing Inc.*, Archambault J. stated that selecting the approach to determining the fair market value varies according to the type of property to be valued. For example, the income approach is appropriate for for-profit rental properties. The Court wrote the following:

[44] To select the appropriate approach to determining the fair market value of real estate, we have to take into account the nature of the property and each case must be assessed on its specific facts. Here we are called upon to value non-profit rental properties and not a for-profit rental project. In my view, the Income Approach is a flawed method in the case of non-profit rental properties because no income could be generated from such properties. The same logic applies with respect to the Direct Comparison Approach. The properties that were used as comparables in this particular case were properties rented for profit. I think it is fair to assume that purchasers of those rental properties would have taken into account their return on investment when agreeing to the prices they paid for them. Therefore, in my view, the comparables used were inappropriate. We

cannot compare for-profit rental properties with non-profit rental properties. This method could only be useful if sales of other non-profit rental properties could have been identified. However, there was no such evidence here.

[29] Archambault J. concluded in paragraph 49 that “the fair market value of the two subject properties should not exceed their cost and should not be lower than the amount of the mortgage loans used to finance their acquisition.”

[30] In *Sira Enterprises Ltd. v. Canada*, [2000] T.C.J. No. 804 (Q.L.), Margeson J. of this court confirmed that the appraiser cannot disregard the cost approach in determining the fair market value of a property:

[76] In the case at bar the appraiser presented by the Respondent was asked the very question as to why he failed to take into account the cost approach in determining fair market value at the time the properties were ready for occupancy. The only attempted explanation was that he had already made up his mind that the income approach and the comparable sales approach were the best and he did not consider the cost approach. He did say that the comparables used were truly comparable but the evidence did show that there were some different factors when one compared the properties in question and the comparables that were used. To the Court’s mind, this was not a satisfactory reason for disregarding the cost approach altogether.

[31] Margeson J. also pointed out the weaknesses of the direct comparison approach (comparable sales approach method):

[82] This of course is one weakness in the comparable sales approach method because it is obviously not possible to find sales which are truly comparable and in the case at bar the appraiser for the Respondent did admit that he had to go some distance away from the site of the properties in question to locate other properties which he considered to be comparable.

[32] In *Pinelli v. Canada*, [1998] T.C.J. No. 583 (Q.L.), McArthur J. of this court expressed the belief that a judge could determine a building’s fair market value, although the judge must not merely adopt a figure that is somewhere between the fair market value suggested by the appellant and the value suggested by the respondent:

[TRANSLATION]

[19] To obtain a value, I am adopting the oft-cited statement made by Walsh J. in *Bibby v. The Queen*, T.C., trial division, No. T-3587-82, March 17, 1983, page 19 (83 DTC 5148, page 5157), where the following may be read:

While it has frequently been held that a Court should not, after considering all the expert and other evidence merely adopt a figure somewhere between the figure sought by the contending parties, it has also been held that the Court may, when it does not find the evidence of any expert completely satisfying or conclusive, nor any comparable especially apt, form its own opinion of valuation, provided this is always based on the careful consideration of all the conflicting evidence. The figure so arrived at need not be that suggested by any expert or contended for by the parties.

[33] When determining a building's market value, the value must correspond to the definition of the fair market value. Also, the approach used to determine the fair market value must take into consideration the nature of the building. The decisions referred to above clearly establish that, when constructing a new building, the cost approach seems to be the most appropriate approach since a building's fair market value does not normally exceed its cost. However, when two floors are renovated to convert them into housing units and when the building is a historic old building that does not meet today's requirements, it is more than likely, as is the case here, that the cost of these renovations far exceeds the building's fair market value. In these circumstances, I believe that using the cost approach is not appropriate because, according to subsection 191(3), it involves establishing the fair market value of the building, not the renovations of the two floors.

[34] The explanatory notes of Canada's Minister of Finance clearly state that subsection 191(3) of the Act requires the valuation of the fair market value of the entire complex. In my opinion, the approach used by the respondent's expert does not reflect the fair market value of the entire complex. His valuation focuses on the cost of the renovations to the two floors for the purposes of calculating the GST, whereas the calculation should be done based on the fair market value of the entire complex.

[35] In this type of case, where only two floors are converted into housing units and the complex is an old building where the valuation of renovation costs is risky, I think it is appropriate to use the average of the three valuation approaches used by the appellant's expert. Therefore, I am going to concur with the fair market value established by the appellant's expert and conclude that the fair market value of the building as of July 1, 2002, was \$425,000, including taxes.

[36] Now, for the purposes of determining the value of the taxable supply of the part of the building used as a residential complex, the following guidelines set out in subsection 136(2) of the Act must be consulted:

136(2) **Combined supply of real property** — For the purposes of this Part, where a supply of real property includes the provision of

(a) real property that is

(i) a residential complex,

(ii) land, a building or part of a building that forms or is reasonably expected to form part of a residential complex, or

(iii) a residential trailer park, and

(b) other real property that is not part of the property referred to in paragraph (a), the property referred to in paragraph (a) and the property referred to in paragraph (b) shall each be deemed to be a separate property and the provision of the property referred to in paragraph (a) shall be deemed to be a separate supply from the provision of the property referred to in paragraph (b), and neither supply is incidental to the other.

[37] In the subject building there is property that does not meet the definition of a residential complex. Therefore, for the purposes of determining the taxable supply, a proportion must be established that allows this distinction to be made. The appellant's expert estimated the proportion attributable to the commercial part to be 35% according to the proportion of the area of the commercial part in relation to the total area and according to the proportion of the rental income from that part in relation to the total income. I agree that this proportion of the building in question is 65% of the fair market value of the building for the purposes of the taxable property category.

[38] The appeal is allowed and referred back to the Minister of National Revenue for reconsideration and reassessment, based on the above-mentioned Reasons.

Signed at Edmundston, New Brunswick, this 6th day of July 2004.

“François Angers”

Angers J.

Certified true translation
Colette Beaulne

REFERENCE: 2004TCC466

COURT FILE NO.: 2003-4112(GST)I

STYLE OF CAUSE: 9103-9438 Québec Inc. and
Her Majesty the Queen

PLACE OF HEARING: Chicoutimi, Quebec

DATE OF HEARING: March 23, 2004

REASONS FOR JUDGMENT BY: The Honourable Judge François Angers

DATE OF JUDGMENT: July 6, 2004

APPEARANCES:

For the Appellant: Paul Guimond

For the Respondent: Ghislaine Thériault

COUNSEL OF RECORD:

For the Appellant:

Name: Paul Guimond

Firm: Girard, Allard et Associés
Chicoutimi, Quebec

For the Respondent: Morris Rosenberg
Deputy Attorney General of Canada
Ottawa, Canada