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Business Meals in Québec: The 50% Rule Explained

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The basic rule: 50% of the lesser of the actual or reasonable amount

Lunch with a client, a hockey ticket for a business partner, a 5-to-7 get-together with a supplier: these expenses are deductible, but not in full. Federally, section 67.1 of the *Income Tax Act* provides that the amount paid for food, beverages or entertainment « est réputée correspondre à 50 % de la moins élevée des sommes suivantes : a) la somme réellement payée ou à payer; b) la somme qui serait raisonnable dans les circonstances » (ITA, s. 67.1).

Québec applies the same rule under its own legislation. Section 421.1 of the *Taxation Act* deems the amount paid for food, beverages or entertainment to be « égal à 50 % du moindre » of the amount paid and the amount that would be reasonable in the circumstances (*Taxation Act*, s. 421.1).

Two tests therefore apply, in order:

1. **The amount must be reasonable.** A \$900 dinner for two may be reduced to a reasonable amount before the 50% calculation even begins.
2. **Then, take half.** The rest is never deductible.

And in Québec alone, a third test applies: an annual cap based on your revenue (see below).

This article provides general information, not tax advice. The rules cited are in effect as of October 2026.

What is covered: food, beverages and entertainment

The definition is broad. The legislation specifies that « sont assimilés à des divertissements les loisirs et les amusements » (*ITA*, s. 67.1(4)). The CRA's interpretation bulletin IT-518R (1996) is archived: the CRA states that it « ne sera plus mis à jour ». It remains useful as an administrative interpretation of section 67.1, whose wording has not changed on these points. It provided a non-exhaustive list of entertainment expenses covered: theatre, concert or sporting event tickets, boxes at sports facilities, room rentals to entertain delegates at a convention, cruises and admission to a fashion show (*CRA*, archived IT-518R).

The same bulletin specified that the 50% limit also applies to « dépenses connexes, comme les taxes et les pourboires », and that a restaurant gift certificate is treated as an expense for food and beverages (*IT-518R*, paras. 17-18).

A useful detail: the price of an airline, train or bus ticket is never considered to have been paid for food or entertainment, even if a meal is served on board (*ITA*, s. 67.1(4)a)).

Exceptions to the 50% limit

Section 67.1(2) lists the situations in which the rule does not apply (*ITA*, s. 67.1(2)). Those relevant to small businesses are:

Exception	Practical example
Food or entertainment provided for payment in the ordinary course of your business	A caterer, restaurant or event planning agency that resells meals
A fundraiser whose primary purpose is to benefit a registered charity	A table at a charity's annual fundraising dinner
An amount rebilled to the client that is reasonable and specifically identified in writing	A consultant's meal while travelling, listed as "meal expenses" on the invoice
An amount taxable as an employee benefit	A meal that must be included in the employee's income
Up to six special events per calendar year available to all employees at a place of business	The Christmas party and summer BBQ for the whole team

Two clarifications from IT-518R:

- **Charities.** The annual fundraising dinner is exempt, but regular-season tickets for a theatre company that is itself a charity are not (IT-518R).
- **Rebilling.** If a self-employed person rebills a reasonable meal expense to their client and identifies it as a meal expense on the bill, they are entitled to the full deduction; « la limite de 50 % s'applique toutefois au client » (same source).

The employee event must be available to **all** employees at a place of business. A dinner limited to partners does not count.

Special case: conventions, conferences and registration fees

When convention registration fees include meals or entertainment without specifying their value, the legislation sets an amount: \$50 for each day on which meals are provided is deemed to be the cost of food, beverages and entertainment. This amount is subject to the 50% rule; the rest of the registration fee is deductible as usual. Refreshments provided incidentally during meetings do not count (ITA, s. 67.1(3)).

Example (for illustration): a \$600 registration fee for a two-day conference, with meals included but not itemized.

- Deemed meal portion: 2 days × \$50 = \$100, of which \$50 is deductible.
- “Training” portion: \$600 – \$100 = \$500, fully deductible if the expense is incurred to earn income.
- Total deductible: \$550.

If the organizer specifies a reasonable value for the meals on the invoice, that amount applies instead of the flat amount.

Sales taxes: ITCs and ITRs cut in half

The same logic applies to GST and QST. For a registrant, the *Excise Tax Act* adds an amount to net tax that cancels half of the input tax credit (ITC) associated with an expense that section 67.1 reduces to 50% (ETA, s. 236). The CRA summarizes the percentages: 50% for most businesses, 100% for charities and public institutions, and 80% for long-haul truck drivers (CRA, ITC eligibility percentage).

Revenu Québec, which administers GST and QST for most Québec businesses, confirms that these expenses « sont généralement déductibles à 50 % » and that half of the GST and QST paid qualifies for an ITC and an input tax refund (ITR). It offers two methods (Revenu Québec, Meal and entertainment expenses – ITCs and ITRs):

Method	How it works	Who it suits
1. Claim everything, then adjust	You claim 100% of the taxes during the fiscal year, then add 50% of the ITCs and ITRs claimed to net tax: on the annual return, or in the first reporting period after the fiscal year ends if you file monthly or quarterly	Those who do not want to split each receipt during the year

Method	How it works	Who it suits
2. Claim half right away	You claim only half of the taxes paid in each period; no adjustment at year-end	Those with few meal receipts

An important Québec-specific point about QST. Revenu Québec adds that no ITR can be claimed beyond a cap tied to revenue: 2% if revenue is \$32,500 or less, \$650 if it is more than \$32,500 but less than \$52,000, and 1.25% if it is \$52,000 or more (same page). The rule comes from sections 457.1.4 and 457.1.5 of the *Act respecting the Québec sales tax*: when the deductible portion (50%) of your meal and entertainment expenses for the year exceeds the cap under section 175.6.1 of the *Taxation Act*, described below, you add the remaining half of the ITR on the excess to your net tax. In practical terms, the QST paid on the portion of expenses (at 100%) exceeding **twice the cap** is not recoverable. Meals eaten at a remote location are excluded from this calculation, and the rule applies to neither charities nor public institutions ([AQST](#), ss. [457.1.4](#) to [457.1.6](#)). There is no equivalent for GST.

Amounts reimbursed to employees or partners for meals in Canada also qualify for an ITC and an ITR, subject to the same 50% limit (same page).

The Québec side: an annual cap in addition to the 50% rule

This is the difference many self-employed people overlook. Section 175.6.1 of the *Taxation Act* limits a business's total deductible entertainment expenses (after applying the 50% rule) when calculating income in Québec (*Taxation Act*, s. 175.6.1):

Business's gross revenue for the year	Cap on deductible entertainment expenses in Québec
\$32,500 or less	2% of gross revenue
More than \$32,500 and no more than \$51,999	\$650
More than \$51,999	1.25% of gross revenue

The provision applies to any taxpayer earning income from a business or property, whether self-employed or a corporation. Special rules apply to intermediaries paid on commission, and the cap is prorated for a taxation year of fewer than 365 days. Meals consumed at least 40 km from the place of business where the person usually works, as part of activities normally carried out at that distance, are excluded from the calculation. Finally, a partner in a partnership cannot personally deduct any meal expenses they incurred in connection with the partnership's business (same source).

There is no equivalent federal cap, so your federal and Québec deductions may differ.

Example (for illustration). A self-employed graphic designer has gross revenue of \$45,000 and \$2,000 in business meal expenses during the year.

- Federal: $\$2,000 \times 50\% = \$1,000$ deductible.
- Québec: $\$2,000 \times 50\% = \$1,000$, but capped at \$650 (gross revenue between \$32,500 and \$51,999).
- Difference: \$350 deductible federally only.

- QST: the \$650 cap corresponds to \$1,300 in expenses ($2 \times \$650$). The QST paid on the \$700 excess ($\$2,000 - \$1,300$) does not qualify for any ITR; on the \$1,300, the usual 50% ITR applies. The GST ITC remains at 50% on the \$2,000.

With gross revenue of \$200,000, the Québec cap would be \$2,500 (1.25%), leaving more room.

A worked example: a \$120 client lunch

For illustration, using rates in effect as of October 2026: GST 5%, QST 9.975%. A consultant registered for sales taxes takes a client to lunch in Griffintown.

Item	Amount
Bill before taxes	\$120.00
GST (5%)	\$6.00
QST (9.975%)	\$11.97
Tip (15% of the bill before taxes)	\$18.00
Total paid	\$155.97

Taxes recovered (method 2)

- ITC: $\$6.00 \times 50\% = \$3.00$
- ITR: $\$11.97 \times 50\% = \$5.99$ (subject to Québec's ITR cap)

Expense for income tax purposes

- Cost net of recovered taxes: $\$155.97 - \$3.00 - \$5.99 = \$146.98$
- Deductible portion (50%): \$73.49

The tip is subject to the same 50% limit (IT-518R, para. 17). In Québec, this \$73.49 is added to the annual total subject to the cap under section 175.6.1.

Variation: rebilling. If the lunch takes place during an engagement and the contract provides for reimbursement of expenses, the consultant can bill the client \$120 in “meal expenses.” Since the amount is reasonable and identified in writing, the consultant deducts it in full; the client is subject to the 50% limit (ITA, s. 67.1(2)c)). The rules for charging sales taxes on these disbursements are separate; see our guide to [mandatory invoice information](#).

Required supporting documents

For sales taxes. You can claim an ITC only if, before filing the return, you have obtained « les renseignements suffisants pour établir le montant du crédit, y compris les renseignements visés par règlement » (ETA, s. 169(4)). The CRA details this information according to the purchase amount ([CRA, Input tax credits](#)):

Information on the receipt	Less than \$100	\$100 to \$499.99	\$500 and over
Supplier's business name	Yes	Yes	Yes
Invoice date	Yes	Yes	Yes
Total amount paid	Yes	Yes	Yes
Tax charged (or a statement that the price includes it)	No	Yes	Yes
Supplier's GST registration number	No	Yes	Yes
Buyer's name	No	No	Yes
Description of goods or services	No	No	Yes
Payment terms	No	No	Yes

For QST, also check that the invoice includes the supplier's QST number; our guide to [registering for GST and QST](#) explains the two numbers.

For income tax. Bulletin IT-518R stated that, to deduct entertainment expenses, the taxpayer must be prepared to demonstrate that they were incurred to earn income, and keep a record of the names and business addresses of clients or other recipients, along with the places, dates, times and amounts, supported by whatever documentation is reasonably available ([IT-518R](#), para. 19). The bulletin is archived, but this list remains good practice.

Record the business purpose: who, when, why

The receipt proves you paid; it does not prove it was for business. Add the following to the back of the receipt or in a note in your accounting software:

- **Who:** the guest's name and company.
- **When and where:** date, time, restaurant.
- **Why:** “follow-up on website quote,” “contract renewal negotiations.”
- **How many people:** useful for assessing whether the amount is reasonable.

A photo of the receipt with this note, taken the same day, takes 30 seconds and stands up to an audit much better than a reconstruction a year later.

Personal meals or business meals

The following are not deductible at all, even at 50%:

- your everyday lunch, alone, near your office or at home;
- meals with friends or family without a business purpose;
- groceries for your home office, except what is actually served to clients.

Home office expenses follow their own rules; see [the home office deduction in Québec](#). For a general list of eligible expenses, consult our [guide to deductible expenses for the self-employed](#).

Common mistakes found in audits

1. **Keeping only the credit card receipt.** It shows neither GST nor QST nor the registration numbers.
Keep the restaurant's itemized bill.
2. **No client name.** Without a documented business purpose, the auditor may disallow the entire expense.
3. **Deducting 100% of the tip.** It is subject to the 50% limit.
4. **Claiming 100% of ITCs and ITRs without an adjustment** at year-end (forgetting method 1).
5. **Forgetting the Québec cap.** The Québec deduction is often lower than the federal deduction when revenue is low.
6. **A team party limited to a few people**, deducted at 100% as an employee event.
7. **Unreasonable amounts.** A \$400 bottle of wine for a small engagement attracts attention.

Printable checklist

1. Does the expense have a clear business purpose? If not, 0%.
2. Is the amount reasonable?
3. Does an exception apply (rebilling documented in writing, fundraising dinner, event for all employees)?
4. Otherwise, 50% of the expense, including the tip and unrecovered taxes.
5. ITCs and ITRs: 50%, using the chosen method throughout the year.
6. In Québec: check the cap based on gross revenue (2%, \$650 or 1.25%).
7. Keep the itemized receipt, with GST and QST numbers if the purchase is \$100 or more.
8. Note: who, when, where, why, how many people.

Source links

Links cited in this article, in order of first appearance. Full addresses are provided for readers using extracted text.

1. <https://laws-lois.justice.gc.ca/fra/lois/i-3.3/section-67.1.html>
2. <https://www.legisquebec.gouv.qc.ca/fr/document/lc/l-3>
3. <https://www.canada.ca/fr/agence-revenu/services/formulaires-publications/publications/it518r/archivee-frais-aliments-boissons-divertissements.html>
4. <https://laws-lois.justice.gc.ca/fra/lois/e-15/section-236.html>
5. <https://www.canada.ca/fr/agence-revenu/services/impot/entreprises/sujets/tps-tvh-entreprises/calculer-preparer-declarer/credits-tax-intrants/calculer-pourcentage-admissibilite.html>
6. <https://www.revenuquebec.ca/fr/entreprises/taxes/tpstvh-et-tvq/situations-particulieres-liees-a-la-tpstvh-et-a-la-tvq/frais-de-repas-et-de-representation-cti-et-rti>
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