CLARIFICATION OF THE TAX POLICY REGARDING THE LIABILITY OF CERTAIN TAXPAYERS FOR PAYMENT OF VARIOUS CONTRIBUTIONS BASED ON WAGES

The Act respecting the Régie de l'assurance-maladie du Québec (ARAMQ) stipulates that an employer’s contribution to the Health Services Fund (HSF) is calculated on the basis of the wages he pays an employee who reports for work at an establishment of the employer in Québec. The notion of establishment used in this case refers to the definitions in the Taxation Act.

Some jobs involve a high degree of geographic mobility. The result can be irregular presence at the establishment of the employer in Québec when the employee must also report to an establishment of the employer outside Québec. In this context, the tax legislation will be amended to specify an assessment method allowing the employer to determine, for a given pay period for which he must make a contribution under the ARAMQ, the amount of the contribution he must pay to the Minister of Revenue of Québec.

Accordingly, in the case where, during such given pay period, the employee also reports for work at an establishment of the employer outside Québec, such employee will be deemed, for such period, to have reported for work solely at the establishment of the employer in Québec, unless, during such period, he reports mainly to an establishment of the employer outside Québec.
This amendment will also apply to employer contributions under the *Act respecting the Québec Pension Plan* (AQPP), those under the *Act respecting Labour Standards* and to the employer's participation under the *Act to Foster the Development of Manpower Training*.

In addition, regarding the notion of establishment used for purposes of income tax and tax on capital as well as for the purposes of the employer contribution under the ARAMQ, the AQPP and the *Act respecting Labour Standards* and the employer's participation under the *Act to Foster the Development of Manpower Training*, an amendment will be made to disallow the use of the notion of deemed establishment by sports clubs or teams which travel to various sports arenas outside Québec. For example, such a club will not be deemed to have an establishment in a stadium outside Québec, even if it uses substantial machinery or material there.

These amendments concerning the calculation method for employer contributions to the HSF, the QPP, under the *Act respecting Labour Standards* and to the employer's participation under the *Act to Foster the Development of Manpower Training* and to the calculation of income tax and tax on capital are declaratory. However, they do not apply to cases pending before the courts on August 9, 1995, or to notices of objection filed with the Minister of Revenue no later than such date, when the current method of calculation of such contributions, such participation, or such tax has been contested no later than that date in such cases or such notices and the grounds of the contestation consist of elements that are the subject of these amendments.

**CHANGE TO THE DEFINITION OF A VENTURE CAPITAL CORPORATION UNDER THE STOCK SAVINGS PLAN (SSP)**

Currently, in general, a given corporation must, to qualify for the SSP, have assets of no more than $250 million on the date of the receipt for the final prospectus or of the exemption from filing prospectus, including the assets of any corporation with which it is associated.

When such a corporation is associated with a venture capital corporation, a special rule provides that the computation of the assets of the given corporation be made on such date without including the assets of such venture capital corporation, provided that on the date the public issue of shares ends, the given corporation is no longer associated with the venture capital corporation.
The criteria by which a corporation qualifies as a venture capital corporation were established more than ten years ago and should be eased to better reflect reality. Accordingly, the current criterion relating to the administration of funds, invested in a corporation, by an administrator not related to a shareholder holding more than 10% of the shares of the corporation, is replaced by a more flexible criterion according to which the venture capital corporation will have ordinarily to participate in the administration of corporations in which it invests funds.

This change applies to issues of securities eligible for the SSP beginning after the day of this information bulletin.

**ENHANCEMENT OF THE EXEMPTION FROM MINING DUTIES FOR NEW MINES BROUGHT INTO PRODUCTION IN THE NORTH**

In the Budget Speech last May 9, in order to reflect the relatively high costs inherent in bringing a mining site into production in Québec’s northern regions, an exemption from mining duties otherwise payable was granted during the first ten years of operation of a new mine located north of the 55th north parallel, up to 10% of the cost of the assets of the operator of such mine and used in Québec to process the mineral substances taken from such mine, for a taxation year beginning after the day of the Budget Speech.

The maximum of 10% of the cost of the assets used in processing has proven to be unduly restrictive and is accordingly raised to 20%.

**EXEMPTION FROM INCOME TAX AND TAX ON CAPITAL OF THE AÉROPORTS DE MONTRÉAL CORPORATION**

Under the federal government’s policy promoting the transfer of airports belonging to Transport Canada to local airport authorities, the management and operation of Dorval and Mirabel airports have been transferred to the Aéroports de Montréal (ADM) corporation. The ADM corporation is a public management organization, without capital-stock, formed to take over the management and operation of Dorval and Mirabel airports.

Before the ADM corporation took over the management and operation of Dorval and Mirabel airports' airport business, these activities were not subject to income tax or the tax on capital, since they were carried on by the federal government.
To promote the economic development of the Montréal region, it has been decided to grant the ADM corporation an exemption from income tax and the tax on capital regarding its airport business.

The federal government is also granting the ADM corporation an exemption from income tax and the tax on capital of large corporations. The exemption announced today applies to the same airport business as that covered by the exemption from federal income tax. Accordingly, in general, it applies to the corporation's income generated from its airport activities, and to the capital necessary to carry on such business.

In general, exempt airport business refers to the business of operating an airport and any activity incidental or pertaining to that operation, notably the rental or leasing of real property located at the airport, the making of investments, the granting of franchises, concessions and licenses and the provision of parking facilities at the airport and heliport facilities and bus services serving the airport. However, activities relating to the operation of a hotel, motel, restaurant, bar, retail or wholesale store, a motor vehicle rental or leasing service, a taxi or limousine service, a freight transportation service, an aircraft fuelling or maintenance service, currency exchange service or an amusement or entertainment centre or any prescribed activity.

This new measure applies to a taxation year beginning after 1990.

NEW UNIVERSITY HOSPITAL MEDICAL RESEARCH CENTRE

Some hospitals of the Estrie region have amalgamated into a public establishment known as the Centre universitaire de santé de l'Estrie. They are the Centre hospitalier universitaire de Sherbrooke (CHUS), the St-Vincent de Paul Hospital of Sherbrooke and the Hôtel-Dieu de Sherbrooke.

Consequently, the Centre universitaire de santé de l'Estrie will be recognized as a university hospital medical research centre. Accordingly, expenditures eligible for scientific research and experimental development made by this organization under a university research contract will carry entitlement to the refundable tax credit of 40% of such expenditures. This will also apply to expenditures for scientific research and experimental development carried out by the Centre universitaire de santé de l'Estrie in continuation of a university research contract, for which an advance ruling has been issued, concluded by the CHUS, which was already recognized as a university hospital medical research centre.
GOVERNMENT OF CANADA NEWS RELEASES

– Deductibility of advertisements in newspapers and periodicals

On June 19, 1995, the Minister of National Revenue made public in a news release issued on behalf of the Minister of Finance a Notice of Ways and Means Motion to amend, among others, the Income Tax Act.(1)

The proposed amendment adds an anti-avoidance rule to limit the deductibility of expenditures relating to advertisements placed in foreign newspapers and periodicals that are addressed mainly to the Canadian market by ensuring that Canadian newspapers and periodicals are in fact controlled by Canadians.

– Elimination of business income tax deferral

On July 19, 1995, the federal Minister of Finance made public in a news release(2) a draft bill to amend, among others, the Income Tax Act and the Excise Tax Act in order to implement certain tax measures announced in his Budget Speech of February 27, 1995.

This draft bill also includes changes to the measure setting December 31 as the year-end of a business carried on in Canada by an individual, a professional corporation consisting of persons practicing the profession of accountant, dentist, lawyer, physician, veterinary or chiropractor, or by a partnership one of whose partners is an individual, a professional corporation or a partnership.

(1) Federal Department of Finance News Release 95-050.
(2) Federal Department of Finance News Release 95-056.
As a result of these amendments, professional corporations that are not partners in partnerships will not be covered by this measure. In addition, an individual who ceases to carry on a particular activity in order to carry on another similar one will continue to be eligible for transitional relief. Finally, an individual will be able to retain a fiscal year-end that does not coincide with the calendar year-end. However, he will have to calculate his business income in such a way as to eliminate any deferral of tax on such income.

In general, Québec's tax legislation and regulations will be amended to include, with adaptations on the basis of their general principles, most of the amendments announced in these federal Department of Finance news releases. However, they will be adopted once any federal legislation or regulations resulting from the press releases have been adopted and will be applicable on the same dates as they will be for federal tax purposes.