

**HARMONIZATION WITH CERTAIN FEDERAL FISCAL MEASURES
AND OTHER MEASURES PERTAINING TO BUSINESSES**

ERRATUM

On page 13, the paragraph preceded by sub-heading “Application details” should read as follows:

“Where the taxation year of an excluded person at any time of such taxation year includes January 1, 2013, the rate applicable on amounts paid as wages will be 1.5% regarding amounts paid as wages during the portion or portions of the person’s taxation year preceding January 1, 2013 and 0% regarding amounts paid as wages during the portion or portions of the person’s taxation year following December 31, 2012 during which it is an excluded person.”

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HARMONIZATION WITH CERTAIN FEDERAL FISCAL MEASURES AND OTHER MEASURES PERTAINING TO BUSINESSES

This information bulletin sets out the position of the Ministère des Finances et de l'Économie concerning certain fiscal measures in the federal budget of March 21, 2013 and in the *Economic Action Plan 2013 Act, No. 1*.

It also announces the extension of the eligibility period for the refundable tax credit for the development of e-business as well as an improvement to the tax assistance provided by this tax credit.

Furthermore, this bulletin announces a refocusing of the temporary contribution of financial institutions towards large institutions and temporary tax relief for damage insurance firms.

Moreover, it describes in detail various fiscal measures pertaining to businesses. Most of these are designed to clarify the application details of certain tax credits.

Lastly, it makes public certain clarifications that will be made to the calculation of contributions payable by workers and employers to the Québec Pension Plan and announces the recognition of two new centres as eligible public research centres for the purposes of the refundable tax credit for scientific research and experimental development.

For information regarding the matters dealt with in this information bulletin, contact the secteur du droit fiscal et des politiques locales et autochtones at 418 691-2236.

The French and English versions of this bulletin are available on the ministère des Finances et de l'Économie website at : www.finances.gouv.qc.ca

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1. FEDERAL LEGISLATION AND REGULATIONS

1.1 Harmonization with certain measures of the federal budget of March 21, 2013

On March 21, 2013, the Minister of Finance of Canada presented the federal government's budget for 2013. This budget includes various fiscal measures that affect the tax system.

Along with the budget, the federal Minister of Finance tabled, in the House of Commons, supplementary information as well as notices of ways and means motions¹ to amend the *Income Tax Act*² and the *Excise Tax Act*,³ among others.

In this regard, Québec's tax legislation and regulations will be amended to incorporate some of the measures announced. However, the changes to Québec's tax system will only be adopted following the assent given to any federal statute or adoption of any federal regulations giving effect to the retained measures, taking into account technical amendments that may be made prior to such assent or adoption. Lastly, subject to certain exceptions, these changes will apply on the same dates as those retained for the purposes of the federal measures with which they are harmonized.

☐ Measures relating to income tax

■ Measures retained

Québec's tax legislation and regulations will be amended to incorporate, with adaptations on the basis of their general principles, the measures relating to:

1. the beginning of the period during which adoption expenses must be paid for such expenses to give rise to the Adoption Expense Tax Credit (BR 1);⁴
2. the increase in the amount of the lifetime capital gains exemption and its indexing to inflation (BR 3);
3. the change in the gross-up factor applicable to non-eligible dividends (BR 5);
4. the inclusion in the calculation of income of any amount deducted on account of contribution to a registered pension plan that has been refunded (BR 7(1));
5. the extension of the normal reassessment period regarding a participant in a tax shelter where a required information return regarding the tax shelter is not filed on time (BR 8 in part);

1 DEPARTMENT OF FINANCE CANADA, *Economic Action Plan 2013 – Jobs, Growth and Long-Term Prosperity*, March 21, 2013, Annex 2, Tax Measures: Supplementary Information and Notices of Ways and Means Motions, p. 325.

2 R.S.C. 1985, c. 1 (5th Supp.).

3 R.S.C. 1985, c. E-15.

4 The references in parentheses correspond to the number of the budget resolution (BR) of the Notice of Ways and Means Motion to Amend the *Income Tax Act* and Other Tax Legislation tabled in the House of Commons on March 21, 2013.

6. taxes in dispute regarding an amount deducted on account of a donation in relation to a tax shelter (BR 9 and BR 10);
7. synthetic disposition arrangements (BR 19 to 22);
8. character conversion transactions (BR 23 to 26);
9. trust loss trading (BR 27);
10. changes to the deemed residence rules of non-resident trusts and to the attribution rule for income⁵ earned from property held by a trust (BR 28 to 30);
11. the new penalty regarding to missing, incomplete or inaccurate information relating to scientific research and experimental development (R&D) tax preparers and the billing arrangements of these preparers⁶ and the solidary liability for payment of this penalty applicable to the taxpayer and the tax return preparer who participates in drawing up an R&D tax incentive claim (BR 31);
12. the changes made to the definitions of the expressions "Canadian exploration expense", "eligible oil sands mine development expenses", "specified oil sands mine development expense" and "Canadian development expense" (BR 32 and 33);⁷
13. the changes concerning the reserve for future services so that it cannot be used regarding amounts received for the purpose of funding future reclamation obligations (BR 34);
14. the elimination of unintended tax benefits relating to leveraged life insurance arrangements (BR 36 to 42);
15. changes to the rules applicable to restricted farm losses designed to codify the chief source of income test and increase the restricted farm loss limit (BR 43);
16. corporate loss trading (BR 44 to 46);
17. the elimination of the *ex parte* nature of the process for seeking judicial authorization to obtain information regarding unnamed persons (BR 48);
18. the application of thin capitalization rules to Canadian-resident trusts and to non-resident corporations and trusts that operate in Canada (BR 50 and 51);
19. the extension for two years of the accelerated capital cost allowance for manufacturing and processing machinery and equipment;⁸

5 This rule concern the allocation of income or loss from property and of taxable capital gain or allowable capital loss from the disposition of property.

6 For greater clarity, as part of an R&D tax incentive claim, the more detailed information concerning R&D tax preparers and billing arrangements will have to be supplied to Revenu Québec.

7 For greater clarity, the applicable deduction rates regarding these amounts stipulated in the *Taxation Act* (CQLR, chapter I-3) remain unchanged.

8 DEPARTMENT OF FINANCE CANADA, *Economic Action Plan 2013*, p. 349.

20. the changes concerning the accelerated capital cost allowance for clean energy generation equipment to include biogas production equipment using more types of organic waste and to expand the range of cleaning and upgrading equipment used to treat eligible gases from waste.⁹

■ Measures not retained

Some measures have not been retained because they do not correspond to the features of Québec's tax system or because Québec's tax system is satisfactory or has no corresponding provisions. These measures relate to:

- the introduction of a first-time donor's super credit (BR 2);
- the non-deductibility in calculating a taxpayer's income from a business or property of an amount paid on account of the use of a safety deposit box from a financial institution (BR 4);
- the possibility for the administrator of a registered pension plan to refund contributions paid to the plan in certain cases (BR 7(2));
- the extension of the normal reassessment period regarding a participant in a reportable transaction where a required information return regarding such transaction is not filed on time, and the extension of the normal reassessment period regarding a taxpayer who omits to file on time the prescribed form relating to specified foreign property he holds, to supply the required information in relation to such property, or to report income from such property (BR 8 in part);
- the one-year extension of eligibility for the Mineral Exploration Tax Credit for flow-through share investors (BR 11);
- labour-sponsored venture capital corporations (BR 12 to BR 18);
- the gradual elimination of the additional deduction for certain credit unions (BR 35);
- international electronic funds transfers (BR 47);
- the repeal of the rules relating to international banking centres (BR 52);
- the gradual elimination of the additional capital cost allowance for certain assets acquired for use in eligible mine expansion projects or new mines.¹⁰

In addition, the change to the rate of the tax credit regarding non-eligible dividends (BR 6) will not be retained.

However, to keep the Québec tax burden on taxpayers constant, the tax credit allowed by Québec's tax legislation for non-eligible dividends will be reduced from 8% to 7.05% of the amount of the grossed-up dividend. This change will apply regarding non-eligible dividends paid or deemed paid after 2013.

9 DEPARTMENT OF FINANCE CANADA, *Economic Action Plan 2013*, p. 350-352.

10 DEPARTMENT OF FINANCE CANADA, *Economic Action Plan 2013*, p. 355-356.

■ Subsequent announcement

The government approves the federal government's initiative concerning the Stop International Tax Evasion program (BR 49). It will monitor the development of this program and announce at a later date whether similar measures must be introduced.

□ Measures relating to the goods and services tax and the harmonized sales tax

■ Measures retained

Changes will be made to Québec's sales tax (QST) system to incorporate, with adaptations on the basis of its general principles, the federal measures relating to the application of the goods and services tax and the harmonized sales tax (GST/HST) regarding:

- information requirements concerning unnamed persons (BR 2);¹¹
- pension plan rules (BR 7 and BR 8);
- GST/HST businesses information requirements (BR 9);
- supplies of paid parking by public sector bodies (BR 11 and BR 12).

The changes to Québec's tax system concerning pension plan rules will apply on the same dates as those for the purposes of the federal measures with which they are harmonized.

The change concerning supplies of paid parking by public sector bodies has applied since July 1, 1992 in the QST system.

The changes to Québec's tax system relating to information requirements concerning unnamed persons and businesses information requirements will apply as of the date the bill implementing them receives assent.

■ Measure not retained

The federal measure concerning the Governor General (BR 13 and BR 14) has not been retained because Québec's tax system has no corresponding provision.

■ Measures announced earlier

It should be noted that the Ministère des Finances et de l'Économie previously announced, in *Information Bulletin 2013-2* of March 22, 2013, that the QST system will be harmonized with certain changes to the GST/HST system proposed in the federal budget tabled March 21, 2013. These harmonization decisions concern the federal measures relating to health care services (BR 3 to BR 6) and supplies of paid parking through charities (BR 10).

11 The references in parentheses correspond to the number of the budget resolution (BR) of the Notice of Ways and Means Motion to Amend the *Excise Tax Act* tabled in the House of Commons on March 21, 2013.

□ Measures relating to electronic suppression of sales software

To combat the use of electronic suppression of sales software, commonly known as “zapper” software, that allows some businesses to hide their sales to evade the payment of the GST/HST and income taxes, the 2013 federal budget proposes new administrative penalties.¹² These penalties may be imposed among others for the use, possession, acquisition, manufacture or sale of electronic suppression of sales software.

In this regard, the *Tax Administration Act*¹³ will be amended to incorporate, with adaptations based on its general principles, the new administrative penalties relating to electronic suppression of sales software.

These penalties will come into force on the same date as the one retained for the purposes of the federal tax system or, if later, the date the bill amending the *Tax Administration Act* is assented to.

1.2 Harmonization with certain measures contained in the *Economic Action Plan 2013 Act, No. 1*

On June 26, 2013, Bill C-60, entitled *An Act to implement certain provisions of the budget tabled in Parliament on March 21, 2013 and other measures*, was assented to.¹⁴

In addition to acting on certain tax measures proposed in the *Economic Action Plan 2013*,¹⁵ part 1 of this act implements new measures concerning income tax. More specifically, these new measures relate to:

- the designation of hazardous missions for the purposes of the deduction allowed members of the Canadian Forces and police officers on deployment;¹⁶
- the calculation of income from Canadian sources of non-resident pilots who are employed by Canadian airlines;¹⁷
- technical corrections to ensure better integration in the tax legislation of the temporary measure allowing certain close relations to set up a registered disability savings plan for an adult person whose capacity to enter into contract may be questionable.¹⁸

In this regard, the *Taxation Act*¹⁹ will be amended to incorporate, on the basis of its general principles, the measures relating to the calculation of income from Canadian sources of non-resident pilots employed by Canadian airlines.

12 DEPARTMENT OF FINANCE CANADA, *Economic Action Plan 2013*, p. 381.

13 CQLR, chapter A-6.002.

14 S.C. 2013, c. 33. The short title of this act is *Economic Action Plan 2013 Act, No. 1*.

15 DEPARTMENT OF FINANCE CANADA, *Economic Action Plan 2013 – Jobs, Growth and Long-Term Prosperity*, March 21, 2013, Annex 2, Tax Measures: Supplementary Information and Notices of Ways and Means Motions.

16 Sections 7 and 36 of the *Economic Action Plan 2013 Act, No. 1*.

17 Section 8 of the *Economic Action Plan 2013 Act, No. 1*.

18 Section 16 of the *Economic Action Plan 2013 Act, No. 1*.

19 CQLR, chapter I-3.

For greater clarity, for the purposes of calculating income earned in Québec by a non-resident individual employed as an aircraft pilot, the individual's income that is attributable to a flight, including a leg of a flight, and that is paid directly or indirectly by a person resident in Canada will be attributable to the duties performed in Québec in the following proportions:

- all of the income attributable to the flight if the flight departs from a location in Québec and arrives at a location in Québec;
- one-half of the income attributable to the flight if the flight departs from a location in Québec and arrives at a location outside Québec;
- one-half of the income attributable to the flight if the flight departs from a location outside Québec and arrives at a location in Québec;
- none the income attributable to the flight if the flight departs from a location outside Québec and arrives at a location outside Québec.

In addition, the *Taxation Act* will be amended to incorporate, on the basis of its general principles, the technical corrections to various legislative provisions concerning registered disability savings plans.

The amendments that will be made to Québec's tax system will apply on the same dates as those for the purposes of the federal measures to which they are harmonized.

Moreover, while not requiring any legislative or regulatory amendment, the measure relating to the designation of hazardous missions for the purposes of the deduction allowed members of the Canadian Forces and police officers on deployment will also be retained for the purposes of Québec's tax system.

2. MEASURES CONCERNING BUSINESSES

2.1 Extension of and improvement to the refundable tax credit for the development of e-business

To consolidate the development of the information technology sector in Québec as a whole, the government introduced, in the March 13, 2008 Budget Speech,²⁰ the refundable tax credit for the development of e-business (hereunder “TCEB”).

Briefly, the TCEB, whose rate is 30%, is granted to an eligible corporation that pays wages to eligible employees carrying out an eligible activity. The amount of the tax credit may not exceed \$20 000 per employee, per year.

The TCEB fosters the development of Québec businesses that are actively involved in the information technology sector and, more generally, stimulates the development of e-business in Québec. Accordingly, the TCEB will be extended for a period of 10 years and the current annual cap of \$20 000 will be raised to \$22 500.

Furthermore, since its implementation, a variety of changes have been made to the TCEB to protect its integrity and ensure that it contributes to achieving the government’s economic objectives.²¹ In the same vein, clarifications will be made to certain aspects of the fiscal policy underlying the TCEB.

□ Extension of and improvement to the TCEB

To receive the TCEB for a taxation year, a corporation must obtain an eligibility certificate from Investissement Québec. It must also obtain an annual eligibility certificate for each of its employees regarding whom it wishes to receive the TCEB.²²

Accordingly, a corporation that obtains these certificates may receive the TCEB for a taxation year contained in whole or in part in the eligibility period of this refundable tax credit, which eligibility period ends December 31, 2015.²³

20 MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2008-2009 – Additional Information on the Budgetary Measures*, March 13, 2008, p. A.79-A.85.

21 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2008-4*, May 15, 2008.

MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2009-2010 – Additional Information on the Budgetary Measures*, March 19, 2009, p. A.40-A.44.

MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2010-2011 – Additional Information on the Budgetary Measures*, March 30, 2010, p. A.89-A.97.

MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2010-7*, October 29, 2010, p. 4-15.

MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC, *Information Bulletin 2012-6*, December 21, 2012, p. 12-18.

22 *Act respecting the sectoral parameters of certain fiscal measures* (CQLR, chapter P-5.1), schedule A, sec. 13.2.

23 *Taxation Act* (CQLR, chapter I-3), sec.1029.8.36.0.3.79, par. 1, definition of the expression “eligibility period”.

The *Taxation Act* will be amended so that the end of the eligibility period of the TCEB is extended to December 31, 2025. As a corollary, the *Act respecting the sectoral parameters of certain fiscal measures* (hereunder “sectoral act”) will be amended so that Investissement Québec may not issue a certificate to a corporation for the purposes of the TCEB for a taxation year beginning after December 31, 2025.²⁴

Furthermore, the *Taxation Act* will be amended so that as of January 1, 2016, the maximum amount of the TCEB an eligible corporation may claim, for a taxation year, in relation to the eligible salary it incurs as of that date regarding an eligible employee is limited to \$22 500, calculated on an annual basis.²⁵ With regard to a taxation year of a corporation that includes January 1, 2016, the \$22 500 amount will be calculated on a prorated basis, according to the usual rules, based on the number of days of such taxation year that follow December 31, 2015.

□ Clarifications concerning certain aspects of the fiscal policy underlying the TCEB

It is useful to note that the TCEB was implemented to provide tax assistance for specialized businesses that carry out innovative, high value-added activities in the information technology sector, chiefly in the fields of computer systems design and software publishing.²⁶

Accordingly, by helping to maintain and create information technology jobs, the TCEB seeks to consolidate this activity sector in Québec and support the growth of Québec businesses in all activity sectors that want to become more efficient and productive by incorporating into their business processes information technologies developed by specialized businesses.

This objective is expressed in the conditions for the issuing of the certificates necessary to obtain the TCEB that are included in the sectoral act.

In this regard, the certificate Investissement Québec issues to a corporation so that it can receive the TCEB for a taxation year (hereunder “corporation certificate”) is based on the corporation’s compliance with requirements regarding the activities it carries out and the services it provides in the course of carrying on its business. In addition, Investissement Québec only issues the corporation certificate if the corporation maintains a minimum of six eligible employees throughout the taxation year.²⁷

These criteria are used to qualify a corporation for the purposes of the TCEB so that the fiscal measure only targets corporations actively involved in the information technology sector.

As a corollary, the certificate a corporation must obtain each year concerning each of its employees regarding whom it wishes to receive the TCEB seeks to ensure that the duties of such employees are directly related to the carrying out of eligible activities.

In this regard, clarifications will be made to the sectoral act to confirm the position taken by Investissement Québec since the introduction of the TCEB in relation to the eligible activities of a corporation for the purposes of this tax credit.

24 *Act respecting the sectoral parameters of certain fiscal measures*, schedule A, sec. 13.2, par. 5.

25 *Taxation Act*, sec. 1029.8.36.0.3.79, par. 1, definition of the expression “qualified wages”. Accordingly, this new cap of \$22 500 corresponds to 30% of wages of \$75 000.

26 *Act respecting the sectoral parameters of certain fiscal measures*, schedule A, sec. 13.4.

27 *Ibid.*, schedule A, sec. 13.3 to 13.8.

First of all, the sectoral act will be amended to specify that the information technology consulting service relating to technology, systems development or e-business solutions and processes²⁸ that a corporation provides to a person may be eligible for the purposes of the TCEB only if such consulting service relates either to the development, integration, maintenance or evolution of information systems or technology infrastructures,²⁹ or to the design or development of e-commerce solutions³⁰ or the development of security and identification services³¹ that may be carried out for such person.

In addition, the sectoral act will be amended to specify that the design or development of e-commerce solutions carried out by a corporation may qualify as an eligible activity for the purposes of the TCEB only if such activity consists of an e-commerce solution allowing a monetary transaction between the person on behalf of whom such design or development was carried out and the customers of such person.³²

A third amendment will be made to the sectoral act to specify that an activity relating to an information system concerning marketing designed to increase the visibility of a business and promote its goods and services with existing or potential customers does not qualify as an eligible activity for the purposes of the TCEB. For greater clarity, this exclusion does not apply to an activity relating to an information system including a component that partly concerns marketing.

These amendments are intended to clarify that the appreciation of an activity's eligibility for the purposes of the TCEB bears on the very nature of an activity relating to e-business, regardless of whether the activity is described as technology architecture design, distribution package, portal, transactional website or other.

In this context, to avoid any ambiguity that the examples of eligible activities currently written into the sectoral act may give rise to, these examples will be removed from the act. More specifically, the sectoral act will be amended to eliminate the examples concerning strategic planning, business process reconfiguration and technology architecture design,³³ distribution packages, computer software and programs as well as technology architecture upgrading and integration of hardware and software components,³⁴ portals, search engines and transactional websites³⁵ and lastly electronic imaging, artificial intelligence and interface related to e-business activities such as Internet security.³⁶

■ Application date

These changes will apply regarding a taxation year of a corporation that begins after the day of publication of this information bulletin.

28 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 1^o.

29 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 2^o.

30 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 3^o.

31 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 4^o.

32 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 3^o.

33 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 1^o.

34 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 2^o.

35 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 3^o.

36 *Ibid.*, schedule A, sec. 13.11, par. 1, subpar. 4^o.

2.2 Refocusing of the temporary contribution of financial institutions towards large institutions

Until December 31, 2012, the compensation tax on financial institutions was based on three tax bases, i.e. paid-up capital, amounts paid as wages and insurance premiums (including amounts established regarding insurance funds).

Accordingly, the rates of the compensation tax applicable to the various tax bases consisted, on the one hand, of the base rate implemented to reflect the cost for the government of granting input tax refunds (ITRs) to suppliers of financial services in the Québec sales tax (QST) system and, on the other, of a temporary rate increase (hereunder “temporary contribution”) announced in the March 30, 2010 Budget Speech and applicable to two of the three components of the compensation tax on financial institutions for the period beginning March 31, 2010 and ending March 31, 2014.³⁷

On January 1, 2013, to reflect the exemption of financial services in the QST system, the portion of the compensation tax on financial institutions that was attributable to the impact on public finances of granting ITRs to suppliers of financial services was eliminated.³⁸

Moreover, to help achieve and maintain fiscal balance, it was announced in the November 20, 2012 Budget Speech that the rates applicable to the two components of the compensation tax on financial institutions, i.e. amounts paid as wages and insurance premiums (including amounts established regarding insurance funds) would be increased as of January 1, 2013 and that this contribution would be extended until March 31, 2019.³⁹

Consequently, since January 1, 2013 the rates applicable to the two tax bases of the temporary contribution of financial institutions have been:

- for amounts paid as wages:
 - in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, a rate of 2.8%,
 - in the case of a savings and credit union, a rate of 2.2%,
 - in the case of any other person,⁴⁰ a rate of 0.9%;
- for insurance premiums and amounts established regarding insurance funds, a rate of 0.3%.

37 MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2010-2011 – Additional Information on the Budgetary Measures*, March 30, 2010, p. A.102-A.104.

38 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2012-4*, May 31, 2012, p. 12-14.

39 MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC, *Budget 2013-2014 – Budget Plan*, November 20, 2012, p. H.43.

40 Excluding an insurance company and a professional order that created an insurance fund under section 86.1 of the *Professional Code* (CQLR, chapter C-26).

To refocus the temporary contribution on the objective of having banks and other large financial institutions participate in a particular way in the efforts to restore fiscal balance, the financial institutions included in the “any other person”⁴¹ category that have not made the election stipulated in section 150 of the Excise Tax Act⁴² (hereunder “joint election”) with a financial institution included in another category covered by the application of the temporary contribution will no longer be subject to it (hereunder “excluded person”), retroactively to January 1, 2013. For example, insurance and mortgage brokers will no longer be required to pay the temporary contribution of financial institutions.

For greater clarity, only the following financial institutions are liable for the temporary contribution: banks, loan corporations, trust corporations, corporations trading in securities, savings and credit unions, insurance companies, professional orders and any other person having made a joint election with a bank, a loan corporation, a trust corporation, a corporation trading in securities, a savings and credit union, an insurance company or a professional order.

❑ Application details

Where the taxation year of an excluded person at any time of such taxation year includes January 1, 2013, the rate applicable on amounts paid as wages will be ~~0.9%~~ 1.5% regarding amounts paid as wages during the portion or portions of the person’s taxation year preceding January 1, 2013 and 0% regarding amounts paid as wages during the portion or portions of the person’s taxation year following December 31, 2012 during which it is an excluded person.

❑ Instalment payments

The instalment payments of a corporation that is an excluded person may be adjusted, according to the usual rules, as of the first instalment following the day of publication of this information bulletin to reflect the elimination, as of January 1, 2013, of the temporary contribution for financial institutions that are excluded persons.

In the case of an excluded person other than a corporation, the amounts payable each month in relation to amounts paid as wages may be adjusted regarding a payment attributable to a salary paid after the day of publication of this information bulletin.

2.3 Introduction of a temporary refundable tax credit for damage insurance firms

In view of the full harmonization of the Québec sales tax (QST) system with the goods and services tax and the harmonized sales tax (GST/HST) system since January 1, 2013 regarding the tax treatment of financial services, such services, formerly zero-rated in Québec’s tax system, have generally become exempt as in the federal tax system.

In essence, the result of such exemption is that since January 1, 2013, the goods and services acquired by suppliers of financial services no longer qualify for an input tax refund (ITR) if these acquisitions are made for the purposes of carrying out the exempt financial services they supply.

41 See the preceding note.

42 R.S.C., 1985, c. E-15.

While one effect of harmonizing the QST system with that of the GST/HST has been to increase the tax burden on all the suppliers of financial services, it has come to light that damage insurance firms are particularly affected by this harmonization in view of certain factors specific to their industry.

To facilitate the transition of damage insurance firms towards harmonization of the QST system with the GST/HST system, a new refundable tax credit will be introduced for three years.

Briefly, an eligible corporation may receive a refundable tax credit calculated on the basis of certain expenditures of a current nature it incurs during its 2012 taxation year and that can reasonably be attributed to its damage insurance activities in Québec. The rate applicable for calculating this tax credit will be 7.5 for 2013, 5% for 2014 and 2.5% for 2015.

□ **Determination of the refundable tax credit**

An eligible corporation that incurs eligible expenditures during its most recent taxation year ended before January 1, 2013 may receive, for a given taxation year, the refundable tax credit for damage insurance firms determined as follows:

- for a given taxation year of the eligible corporation ending during calendar year 2013, the tax credit it may receive, for such taxation year, will correspond to 7.5% of its eligible expenditures multiplied by the fraction obtained by dividing the number of days of the taxation year following December 31, 2012 during which the eligible corporation carries out damage insurance activities in Québec by 365;
- for a given taxation year of the eligible corporation ending during calendar year 2014, the tax credit it may receive, for such taxation year, will correspond to the total of the following amounts:
 - an amount equal to 7.5% of its eligible expenditures multiplied by the fraction obtained by dividing the number of days of the taxation year preceding January 1, 2014 during which the eligible corporation carries out damage insurance activities in Québec by 365,
 - an amount equal to 5% of its eligible expenditures multiplied by the fraction obtained by dividing the number of days of the taxation year following December 31, 2013 during which the eligible corporation carries out damage insurance activities in Québec by 365;
- for a given taxation year of the eligible corporation ending during calendar year 2015, the tax credit it may receive, for such taxation year, will correspond to the total of the following amounts:
 - an amount equal to 5% of its eligible expenditures multiplied by the fraction obtained by dividing the number of days of the taxation year preceding January 1, 2015 during which the eligible corporation carries out damage insurance activities in Québec by 365,
 - an amount equal to 2.5% of its eligible expenditures multiplied by the fraction obtained by dividing the number of days of the taxation year following December 31, 2014 during which the eligible corporation carries out damage insurance activities in Québec by 365;

- for a given taxation year of the eligible corporation ending during calendar year 2016, the tax credit it may receive, for such taxation year, will correspond to 2.5% of its eligible expenditures multiplied by the fraction obtained by dividing the number of days of the taxation year preceding January 1, 2016 during which the eligible corporation carries out damage insurance activities in Québec by 365.

❑ Eligible corporation

For the purposes of this refundable tax credit, an “eligible corporation” means, for a given taxation year, a corporation, other than an excluded corporation, that carried out damage insurance activities in Québec during its most recent taxation year ended before January 1, 2013 and that, at any time of the given taxation year, satisfies the following conditions:

- it is an excluded person for the purposes of the temporary contribution of financial institutions;⁴³
- it is registered with the Autorité des marchés financiers to act as a damage insurance firm.⁴⁴

In this regard, the expression “excluded corporation”, for a given taxation year, means:

- either a corporation that is tax-exempt for the year;
- or a Crown corporation or a wholly-controlled subsidiary of such a corporation.

❑ Eligible expenditures

For the purposes of the refundable tax credit, the “eligible expenditures” of an eligible corporation mean the portion of expenditures of a current nature it incurs during its most recent taxation year ended before January 1, 2013 and that can reasonably be attributed to its damage insurance activities in Québec, except the following amounts:

- salaries and employer contributions;
- interest expenses;
- non-deductible meal and entertainment expenses;
- fines and penalties;
- municipal and school property taxes and duties on transfers of immovables.

Where the eligible corporation’s most recent taxation year ended before January 1, 2013 has fewer than 365 days, the amount of its eligible expenditures for the determination of the tax credit will be deemed equal to its eligible expenditures otherwise calculated multiplied by the fraction obtained by dividing 365 by the number of days in such taxation year.

43 In this regard, see section 2.2 of this information bulletin.

44 Under title II of the *Act respecting the distribution of financial products and services* (CQLR, chapter D-9.2).

□ Application date

An eligible corporation may receive the temporary refundable tax credit for damage insurance firms for its taxation years including all or part of calendar years 2013, 2014 and 2015.

2.4 Easing of eligibility rules for tax credits for film production

□ Refundable tax credit for Québec film and television production

The refundable tax credit for Québec film and television production applies to the labour expenditures incurred by an eligible corporation that produces a Québec film and generally corresponds to 35% or 45% of the eligible labour expenditures incurred to produce the film. However, the eligible labour expenditures giving rise to this tax credit may not exceed 50% of the production expenses of the film so that the tax assistance generally may not exceed 17.5% or 22.5% of such expenses.

For the purposes of the film credit, a corporation that holds a broadcast license issued by the Canadian Radio-television and Telecommunications Commission (hereunder “broadcaster”) or a corporation that, at any time in a taxation year or the 24 months preceding it, is not at arm’s length with a broadcaster, is not an eligible corporation.

Accordingly, the exclusion of corporations not at arm’s length with a broadcaster as an eligible corporation for the purposes of the tax credit is designed to maintain the integrity of the rule excluding broadcasters. Indeed, without the exclusion of corporations not at arm’s length with a broadcaster, it would be easy to circumvent the rule excluding broadcasters simply by forming production subsidiaries.

In addition, also to ensure the integrity of the measure described above, the remuneration paid, directly or indirectly, by an eligible corporation to a corporation that is a broadcaster or that is not at arm’s length with a broadcaster for services supplied in relation to any stage of production of the film is not part of the labour expenditure of the eligible corporation for the purpose of the tax credit.⁴⁵ However, the scope of this exclusion does not extend to the remuneration paid to a sub-contractor not at arm’s length with a broadcaster for services supplied exclusively at the postproduction stage of the film.

Moreover, the tax legislation stipulates various criteria for determining whether two persons are related and thus deemed not at arm’s length; in general, these criteria are based on the control a person or group of person exercises over a corporation. In addition, it is a question of fact whether persons not related to each other are dealing at arm's length at a particular time.

However, certain presumptions apply in relation to the control of a corporation. For example, a person who holds a right to shares, or to acquire shares or control their voting rights is deemed to own the shares.

⁴⁵ According to the method of calculation of the labour expenditure used by the eligible corporation in accordance with the tax legislation.

However, certain entities holding development capital (hereunder “target entities”), in the course of carrying out their mission, wish to invest in the field of culture both in production companies and in broadcasting companies. These investments are made with no formal guarantee, but with clauses designed to protect invested capital that may lead a target entity to be in a situation of control of a corporation, solely to protect its investment, for instance in the event of insolvency or cessation of activities; so that the target entity is not really in a position to influence the conduct of the corporation’s business.

In addition, the objective of the rule excluding broadcasters and corporations not at arm's length with a broadcaster is not to penalize an independent producer that is actually at arm's length with a broadcaster but becomes related by means of a dual investment, made by a target entity, and featuring the usual protection clauses.

However, the tax legislation does not stipulate an exception preventing the creation of a chance non-arm's length relation between a producer and a broadcaster, or between a producer and a sub-contractor, as the case may be, under the refundable tax credit for Québec film and television production, even though such relation only exists because a target entity either holds a right to shares of the capital stock of a corporation or is the owner of shares of the capital stock of a corporation controlled by a group of persons that includes the target entity.

The tax legislation will be amended so that, in general, a right to shares held by a target entity or shares of the capital stock of a corporation owned by a target entity, where the corporation is controlled by a group of persons that includes the target entity, are not taken into consideration for the purposes of determining whether a producer and a broadcaster, or a producer and a sub-contractor, as the case may be, are not at arm's length.

■ Right to shares

The tax legislation stipulates various criteria for determining whether two persons are related and thus deemed not to be at arm's length. In general, to determine whether two corporations are not at arm's length, these criteria are based on the control a person or group of persons exercises over the corporations. Accordingly, two corporations are related if they are controlled by the same person or the same group of persons, or if they are related to the same corporation.

Moreover, to determine whether persons are related, a person who, at any time, has an immediate or future, conditional or unconditional right either to shares of the capital stock of a corporation or to acquire them or control their voting rights, or to require a corporation to redeem, acquire or cancel shares of its capital stock that belong to other shareholders, or to the voting rights attached to shares of the capital stock of a corporation, or acquire or control them, or to have the voting rights attached to shares of the capital stock of a corporation that belong to other shareholders reduced, is deemed to be in the same position in relation to control of the corporation as though any of the situations described had actually occurred (hereunder “right to shares”).

However, if a target entity simultaneously holds a right to shares of the capital stock of two corporations that, as the case may be, are a producer and a broadcaster or a sub-contractor and a broadcaster, these two corporations may be related and thus deemed not at arm's length. In the first situation, the producer is simply not eligible for the tax credit and, in the second, the consideration paid to the sub-contractor is excluded from the calculation of the producer's labour expenditure for the purposes of the tax credit.

To avoid such results, the tax legislation will be amended so that the right to shares held by a target entity is not taken into consideration for the purposes of determining whether or not the two corporations are at arm's length. More specifically, the tax legislation will be amended so that:

- the corporations that are the producer and the broadcaster, or the sub-contractor and the broadcaster, as the case may be, are deemed not to be related – and thus to be at arm's length – where such corporations are related only because a target entity holds a right to shares of the capital stock of the respective corporations, whether the target entity thus controls the producer and the broadcaster, or the producer and the sub-contractor, as the case may be, or is part of a group of persons that thus control these corporations;
- the corporations that are the producer and the broadcaster, or the sub-contractor and the broadcaster, as the case may be, are deemed not to be related – and thus to be at arm's length – where they are deemed to be related because they are related to a third corporation, and two of these corporations are related only because a target entity holds a right to shares of the capital stock of these two corporations.

■ **Group of persons**

Control over a corporation may be exercised by a person or a group of persons. Accordingly, two corporations are related if they are controlled by the same group of persons.

More specifically, two corporations that are, as the case may be, a producer and a broadcaster or a sub-contractor and a broadcaster, are related if they are controlled by the same group of persons. However, a target entity may be part of this group of persons either because it has a right to shares of the capital stock of the respective corporations, or because it owns shares of the capital stock of the respective corporations.

To prevent this context from resulting in the producer no longer being eligible for the tax credit or the consideration paid to the sub-contractor being excluded from the calculation of the producer's labour expenditure for the purposes of the tax credit, the tax legislation will also be amended so that a corporation is deemed not to be related to another corporation where such corporations are related only because a target entity holds a right to shares of the capital stock of the respective corporations or because it owns shares of the capital stock of the respective corporations.

For greater clarity, the proposed easing of the existing rules will not apply in the case where a target entity owns shares of the capital stock of a producer and a broadcaster, or the capital stock of a sub-contractor and a broadcaster, giving it de jure control of these two corporations. In this case, the producer and the broadcaster, or the producer and the sub-contractor, will continue not to be arm's length.

■ **De facto control and actions in concert**

Where a target entity is a member at a given time of a group of persons that controls several corporations including a producer and a broadcaster, or a producer and a sub-contractor, as the case may be, and, at such time, the target entity acts jointly with one or more members of such group of persons to control these corporations, the target entity is in the position of any other member of the group of persons with which it acts in concert. In this case, no easing will be allowed and the usual rules regarding non-arm's length relations will apply.

Moreover, in accordance with the tax legislation, it is a question of fact whether persons not related to each other, at a given time, are at arm's length. Since, as a result of the easing measures described above, a producer and a broadcaster, or a producer and a sub-contractor, as the case may be, will not be related, this rule may apply.

Consequently, if the facts lead to the conclusion that, despite these changes, a producer and a broadcaster, or a producer and a sub-contractor, as the case may be, are not at arm's length, the restrictions regarding the eligibility of a corporation or of a labour expenditure stipulated under the refundable tax credit for Québec film and television production will apply in such situations.

■ **Field of application**

Given the exceptional nature of the ineligibility of a corporation or a labour expenditure, as the case may be, established on the basis of whether the corporation or a sub-contractor are at arm's length with a broadcaster, the proposed amendments will only apply in the following cases:

- for the purposes of determining a corporation's eligibility for the refundable tax credit for Québec film or television production;
- for the purposes of calculating the labour expenditure incurred regarding the production of a film by an eligible corporation, and more specifically for the purposes of determining the portion of the remuneration paid to a sub-contractor that is a corporation not at arm's length with a broadcaster.

■ **Target entities**

The entities targeted by these amendments are:

- the Fonds de solidarité FTQ;
- Fondation, the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi;
- Capital régional et coopératif Desjardins (CRCD);
- the Société de développement des entreprises culturelles (SODEC);
- the Fonds Capital Culture Québec (FCCQ);
- the Fonds d'investissement de la culture et des communications (FICC);
- the Financière des entreprises culturelles (FIDEC);
- Investissement Québec (IQ);
- the Caisse de dépôt et placement du Québec (CDPQ);
- a given corporation all the issued capital stock of which, except director's qualifying shares, belongs to one or more target entities, or to such corporation.

■ Application dates

Concerning the eligibility of a corporation, these changes will apply regarding a film or television production for which an application for an advance ruling or, in the absence of such an application, an application for a certificate is submitted to SODEC after the day of publication of this information bulletin.

Concerning the determination of a labour expenditure, these changes will apply to taxation years of an eligible corporation that begin after the day of publication of this information bulletin.

□ Refundable tax credit for film production services

The refundable tax credit for film production services applies to the eligible production expenses relating to the various stages of production or to the carrying out of a foreign production, or of a production that does not satisfy the Québec content criteria that give rise to the refundable tax credit for Québec film and television production.

In general, the tax credit is calculated at 25% of all of the eligible production expenses incurred by an eligible corporation in Québec and attributable to the various stages of carrying out an eligible production. Eligible production expenses correspond to the total of the cost of eligible labour and the cost of eligible goods.

Moreover, the improvement for computer animation and special effects for an eligible production is calculated at a rate of 20% on the eligible labour cost, provided such cost relates to eligible activities tied to the completion of computer animation and special effects for use in the eligible production.

In addition, exclusion rules relating to a corporation that is a broadcaster or a corporation not at arm's length with a broadcaster, similar to those that apply regarding the refundable tax credit for Québec film and television production, exist with respect to the qualification of a corporation as an eligible corporation and to the calculation of production expenses for the purposes of this tax credit.

Similarly, if applicable, the corporation must obtain from SODEC, apart from an advance ruling, a certificate as a corporation not at arm's length with a broadcaster.

Consequently, the changes described above regarding the refundable tax credit for Québec film and television production will also apply to the refundable tax credit for film production services.⁴⁶

■ Application dates

Concerning the eligibility of a corporation, these changes will apply regarding an eligible production or eligible small-budget production for which an application for certification is submitted to SODEC after the day of publication of this information bulletin.

Concerning the determination of a labour expenditure, these changes will apply to taxation years of an eligible corporation that begin after the day of publication of this information bulletin.

⁴⁶ These changes will also apply to eligible small-budget productions. For the latter, however, the improvement for computer animation and special effects applies to the eligible labour expenditures that relate to computer animation and special effects and not to the cost of eligible labour.

2.5 Change to the notion of qualified labour expenditure for the purposes of the refundable tax credit for the production of multimedia titles

An initial refundable tax credit relating to the production of multimedia titles (“tax credit – general component”) was introduced in the May 9, 1996 Budget Speech⁴⁷. A corporation that wishes to receive this tax assistance must obtain the required certificates regarding each multimedia title it produces.

In the March 31, 1998 Budget Speech⁴⁸, a second refundable tax credit applying specifically to corporations whose activities consist essentially in producing multimedia titles was implemented (“tax credit – specialized component”). A corporation wishing to receive this tax credit must obtain the required certificates regarding all of its activities.

For the purposes of these two tax credits, the amount of tax assistance a qualified corporation may receive is determined on basis of the amount of the qualified labour expenditure incurred by the corporation.

Briefly, the qualified labour expenditure of a qualified corporation, for the purposes of the two tax credits, consists of salaries and wages incurred by the corporation regarding its employees for eligible production work relating to a multimedia title, as well as a portion of the consideration the corporation paid under a service contract for such work that can reasonably be attributed to salaries or wages related to such work.

□ Change relating to the notion of qualified labour expenditure

Currently, the tax legislation stipulates that the notion of salary or wages does not include remuneration based on profits or revenues derived from the operation of a multimedia title.⁴⁹ However, this rule has an exception. Accordingly, remuneration is not considered to be based on the profits or revenues derived from the operation of a multimedia title if it is determined in particular on the basis of the type of use projected for the title and may not be reimbursed if the title is not used as first anticipated.⁵⁰

However, as a result of this rule, amounts of remuneration not determined by a calculation explicitly considering amounts of profit or revenue from the operation of a multimedia title may be excluded.

Such is the case with formulas where, initially, the profitability of a multimedia title is established to determine entitlement to additional remuneration and, subsequently, allowing its calculation on the basis of an amount of salary or wages paid to an employee.

47 MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 1996-1997 – Budget Speech and Additional Information*, May 9, 1996, Appendix A, p.45-48.

48 MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 1998-1999 – Additional Information on the Budgetary Measures*, March 31, 1998, Section 1, p.46-50.

49 *Taxation Act* (CQLR, chapter I-3), sec. 1029.8.36.0.3.8, par. 2 and sec. 1029.8.36.0.3.18, par. 2.

50 *Ibid.*, sec. 1029.8.36.0.3.8, par. 3 and sec. 1029.8.36.0.3.18, par. 3.

Consequently, the tax legislation will be amended to add an additional exception to the existing rule for the purposes of the tax credit – general component and the tax credit – specialized component.

Accordingly, an amendment will be made to the tax legislation to stipulate that the qualified labour expenditures incurred in a taxation year by a qualified corporation include remuneration whose amount is not calculated according to the amount of profit or revenue from the operation of a multimedia title.

□ **Application date**

The application of this amendment will be declaratory.

2.6 Change to the refundable tax credit for design

A corporation that has an establishment in Québec and carries on a business there may receive tax assistance consisting of a refundable tax credit for the design activities such corporation carries out or has carried out on its behalf in Québec, in relation to such business.⁵¹

Briefly, the refundable tax credit for design applies regarding certain expenditures that an eligible corporation incurs to carry out design activities for goods that are made on an industrial basis.

The rate of the tax credit is 15% and may be increased up to 30% in the case of an SME.⁵² However, the amount of the tax credit is capped on an annual basis. In general, the maximum annual amount of this tax credit is \$9 000 in the case of work done by a designer and \$6 000 in the case of work done by a patternmaker. These amounts may be increased up to \$18 000 and \$12 000 respectively where the corporation qualifies as an SME.

□ **Changes to the conditions for issuing an activity certificate**

Currently, a corporation must obtain a design activity certificate for each taxation year for which it wishes to benefit from the refundable tax credit for design.⁵³ This certificate certifies that a design activity was carried out in the year covered by the certificate.⁵⁴

Consequently, a corporation cannot obtain an activity certificate in a given year where the design activity covered by the certificate applied for occurred in a prior year.

However, in some situations, an outside consultant may be remunerated in the form of royalties, which may result in de-synchronization between the design activity and the expenditure relating to it since they may occur in different taxation years of the corporation on whose behalf the design work is carried out.

51 A corporation that is a member of a partnership may also receive the refundable tax credit for design.

52 In this regard, an SME means a corporation whose assets, including the assets of associated corporations calculated on a world basis, do not exceed \$75 million for the preceding fiscal year. The rate is 30% up to assets of \$50 million. It is reduced gradually, reaching 15% where the corporation's assets amount to \$75 million.

53 *Act respecting the sectoral parameters of certain fiscal measures* (CQLR, chapter P-5.1), schedule C, section 8.2.

54 *Ibid.*, sec. 8.3.

To correct this situation, an amendment will be made to the *Act respecting the sectoral parameters of certain fiscal measures* (hereunder “sectoral act”).

More specifically, the sectoral act will be amended so that an activity certificate may also be issued to a corporation or a partnership for a taxation year or a fiscal period, as the case may be, where a design activity relating to a business it carries on in Québec was carried out on its behalf in a preceding year or a preceding fiscal period, as the case may be.

□ Application date

This amendment will apply to an application for an activity certificate for a taxation year or a fiscal period of a corporation or a partnership, as the case may be, ended after December 31, 2012.

2.7 Changes to the sectoral parameters of the tax credit for the construction or conversion of vessels

The refundable tax credit for the construction or conversion of vessels (hereunder “vessel credit”) was introduced to foster Québec’s shipbuilding industry.

The sectoral parameters of this measure are included in the *Act concerning the sectoral parameters of certain fiscal measures*⁵⁵ (hereunder “sectoral act”). The Ministère des Finances et de l’Économie (MFEQ) is responsible for administering the sectoral parameters of this fiscal measure.⁵⁶

Briefly, the vessel credit consists of a refundable tax credit applicable in respect of certain construction or conversion expenditures of a prototype vessel incurred by a corporation that has an establishment in Québec and carries on a shipbuilding business there.⁵⁷ The rate of this tax credit for a prototype vessel is 37.5% and it applies in particular to the wages incurred with persons employed by the corporation and who work directly on the construction or conversion of an eligible vessel.⁵⁸

To help achieve the vessel credit’s objectives and to better reflect the reality of the shipbuilding industry in Québec, changes will be made to the sectoral parameters of this tax credit.

More specifically, a pre-qualification certificate will be introduced to allow corporations that so wish to verify the qualification of their project for this tax credit before entering into a preliminary agreement with a given client.

In addition, changes will be made to the conditions a vessel must satisfy to be considered a prototype vessel as well as to the validity period of the vessel certificate.

55 CQLR, chapter P-5.1.

56 Previously, this responsibility was held by the Ministère du Développement économique, de l’Innovation et de l’Exportation.

57 *Taxation Act* (CQLR, chapter I-3), sec. 1029.8.36.54.

58 The rate of the vessel credit follows a sliding scale regarding the first three vessels of a series arising from a prototype vessel.

□ Pre-qualification certificate

To receive the vessel credit for a taxation year, a corporation must obtain a vessel qualification certificate from the MFEQ. The application for the vessel qualification certificate must be submitted after a preliminary agreement has been reached with a client, but before a firm contract is entered into in that respect.⁵⁹

However, the reality of the shipbuilding industry in Québec is such that corporations often want to know whether the construction or conversion work of a vessel, as the case may be, will qualify even before a preliminary agreement is reached with a client, in particular to set the price for their work.

Consequently, the sectoral act will be amended so that corporations wishing to receive the vessel credit can, before a preliminary agreement is reached with a client, apply for a pre-qualification certificate from the MFEQ.

Since this certificate will be issued before a preliminary agreement is reached with a client, many corporations will thus be able to obtain a pre-qualification certificate for the same vessel construction or conversion project.

To obtain a pre-qualification certificate, a corporation must demonstrate that the necessary conditions for obtaining a vessel qualification certificate could be satisfied were the corporation to actually enter into the contract with the client.

Nonetheless, obtaining a pre-qualification certificate will not exempt a corporation wishing to receive the vessel credit from applying for a vessel qualification certificate.

□ Prototype vessel

To help achieve the vessel credit's objectives and to better reflect the reality of the shipbuilding industry in Québec, clarifications will be made to the sectoral act in relation to the conditions a vessel must satisfy to be considered a prototype vessel.

First of all, one of these conditions is that the construction or conversion work on the vessel must not be of the same nature as work done previously by the corporation.⁶⁰

In this regard, the sectoral act will be amended to specify that it is the essential characteristics of the vessel undergoing construction or conversion work that must differ from the essential characteristics of vessels previously constructed or converted by the corporation.

Another condition is that the construction or conversion work in respect of the vessel requires an investment in innovation, in planning and in the production methods and processes, or the vessel is technologically advanced and ecological.⁶¹

In this regard, the sectoral act will be amended to specify that the construction or conversion work in respect of the vessel requires an investment in innovation in the planning of the work or in production methods and processes or in the integration of advanced or environmental technologies.

59 *Act respecting the sectoral parameters of certain fiscal measures*, schedule C, sec. 9.2, par. 3, subpar. 1°.

60 *Ibid.*, schedule C, sec. 9.6, par. 1, subpar. 1°.

61 *Ibid.*, schedule C, sec. 9.6, par. 1, subpar. 2°.

Moreover, the condition that the entry into service of the vessel must allow the development of a market not occupied by Québec businesses will be withdrawn.⁶²

Lastly, the existing structure of the provision of the sectoral act listing the qualification conditions of a prototype vessel results in a vessel having to satisfy all these conditions to be considered a prototype vessel. However, this structure does not allow the objectives of the vessel credit to be fully achieved.

Accordingly, the sectoral act will be amended to specify that for a vessel to be considered a prototype vessel, it must satisfy either the condition that the essential characteristics of the vessel undergoing construction or conversion work must be different from the essential characteristics of vessels previously constructed or converted by the corporation, or the one stipulating that the construction or conversion work in respect of the vessel requires an investment in innovation in the planning of the work or in the production methods and processes or in the integration of advanced or environmental technologies, but in all cases, the condition that the vessel be the first vessel of a series whose repeat business potential is established, in particular by commitments to order, letters of intent of clients already operating maritime services or a market study showing the construction potential for a series of vessels, must be satisfied.

□ Application date

These changes will apply to applications for pre-qualification certificates and for vessel qualification certificates filed after the day of publication of this information bulletin.

□ Period of validity of the vessel qualification certificate

Currently, the vessel qualification certificate held by a corporation is valid for a maximum of three years.⁶³ However, it can sometimes take longer to construct or convert a vessel.

Accordingly, the sectoral act will be amended so that a vessel qualification certificate may be renewed for a maximum of three years.

This amendment will apply regarding a vessel qualification certificate expiring after the day of publication of this information bulletin.

2.8 Refund of the fuel tax applicable to gasoline used in commercial vessels

The fuel tax system contains relief measures for most products used to supply the engine of commercial vessels, in order to foster economic development and improve the competitive position of businesses operating in this activity sector. Accordingly, bunker fuel, crude oil and coloured fuel oil used to supply the engine of commercial vessels are exempt from the application of the fuel tax if they are poured directly into the tank installed as standard equipment for supplying the engine.

62 *Ibid.*, schedule C, sec. 9.6, par. 1, subpar. 3^o.

63 *Ibid.*, schedule C, sec. 9.2, par. 1.

However, no relief measure is currently stipulated for gasoline used in the same circumstances. It has come to light that this fuel can be used by some businesses operating commercial vessels.

In this context, the fuel tax system will be changed to stipulate a relief measure in this regard that will be allowed as a refund as is generally the case in other situations where this system stipulates relief measures in relation to gasoline.

Consequently, every person who so applies to Revenu Québec, within the prescribed time limit and according to the prescribed terms and conditions, will be entitled to a refund of the tax paid on gasoline used to supply the engine of a commercial vessel if the gasoline is poured directly into the tank installed as standard equipment for supplying the engine.

This change will apply to gasoline acquired after the day of publication of this information bulletin.

3. OTHER MEASURES

3.1 Clarifications concerning contributions payable to the Québec Pension Plan

The Québec Pension Plan and the Canada Pension Plan are public plans designed to partially replace, upon the retirement, disability or death of a worker, the income from his work.

These two plans, in which participation is mandatory, cover almost all workers, whether salaried or self-employed.

By granting benefits established on the basis of pensionable earnings registered on behalf of each worker they cover, up to a certain maximum, these plans provide workers and their families with basic financial protection.

These public plans are funded through contributions that employees, employers and self-employed workers must pay.

As a general rule, an employee must, depending on where he works, pay a contribution through withholdings at source to the Québec Pension Plan or the Canada Pension Plan in respect of the salary and wages paid to him by his employer.

The amount of the contribution an employer must deduct at source for an employee must be determined according to the *Regulation respecting contributions to the Québec Pension Plan*⁶⁴ where the employee works in Québec or, if he works elsewhere in Canada, according to the *Canada Pension Plan Regulations*.⁶⁵

Briefly, these regulations stipulate that the amount that, for a given pay period, must be deducted at source for an employee corresponds to the product obtained by multiplying the contribution rate for employees for the year by the amount by which the salary and wages paid to such employee for the pay period exceeds the portion of the basic exemption attributable to such period. However, the total of the amounts an employer must deduct at source from the salary and wages it pays to one of its employees during a year must not exceed the product obtained by multiplying the employee's maximum contributory earnings for the year⁶⁶ by the applicable contribution rate.

Employers must pay a contribution equal to the one that each of their employees is required to pay through the deductions at source that must be made in accordance with the *Regulation respecting contributions to the Québec Pension Plan* and the *Canada Pension Plan Regulations*.

64 CQLR, chapter R-9, r. 2.

65 C.R.C., c. 385.

66 The maximum contributory earnings of a worker for a year are equal to his maximum pensionable earnings for the year less his personal exemption for the year.

Self-employed workers, depending on whether they reside in Québec or elsewhere in Canada, are subject to payment of a contribution to the Québec Pension Plan or to the Canada Pension Plan on their self-employed earnings.

Family-type resources and the intermediate resources to whom the *Act respecting the representation of family-type resources and certain intermediate resources and the negotiation process for their group agreements*⁶⁷ applies are also subject to payment of a contribution to the Québec Pension Plan on earnings from their resource activities.

While the Québec Pension Plan and the Canada Pension Plan are not identical in all respects, they have, since their creation, been considered similar plans. As a result of this feature, these plans have always been administered so as to facilitate worker mobility throughout Canada. To that end, the retirement, disability or survivor's benefits they provide take into account the pensionable earnings of workers on which contributions have been paid regardless of the plan to which such contributions were paid.

However, since 2012, the applicable rate for the purposes of calculating contributions to the Québec Pension Plan has been different from the one used to calculate contributions to the Canada Pension Plan. While this disparity between the contribution rates in no way compromises the similar nature of the two plans, it may, in some cases, make the rules put in place to coordinate the calculation and refund of over-contributions paid by employees to either or each of these two plans less optimal.

Accordingly, to better take into account the specific features of each plan, the *Act respecting the Québec Pension Plan*⁶⁸ will be amended to stipulate that the calculation of any over-contribution paid by an employee will be subject to new rules.⁶⁹

Consequential amendments will also be made to the rules used to determine the amount of the contribution an individual must pay to the Québec Pension Plan regarding his pensionable earnings from self-employment and his pensionable earnings from family-type resource or intermediate resource activities and to those setting the maximum amount on which a voluntary contribution may be made to the Québec Pension Plan.

Lastly, clarifications will be made to the *Regulation respecting contributions to the Québec Pension Plan* so that the salary and wages on which contributions have been deducted at source for the purposes of the Canada Pension Plan is fully recognized.

67 CQLR, chapter R-24.0.2.

68 CQLR, chapter R-9.

69 Amendments were made in this sense to the *Canada Pension Plan* (R.S.C. 1985, c. C-8) by section 155 of the *Economic Action Plan 2013 Act, No. 1* (S.C. 2013, c. 33).

□ New rules applicable to the calculation of an over-contribution

Considering that the pensionable earnings that may be registered on behalf of a worker, for a given year, must not be less than his personal exemption for the year or more than the maximum amount recognized for the year, an employee may have over-contributed for such year, by means of deductions at source, to the Québec Pension Plan or the Canada Pension Plan.

Currently, an employee is deemed to have paid an over-contribution where, for a given year, the total of the deductions at source made on his salary and wages under the Québec Pension Plan or a similar plan⁷⁰ exceeds the product of the contribution rate for employees for the year multiplied by the lesser of either the maximum of his contributory earnings for the year, or the excess, over his personal exemption for the year, of the total of his pensionable salary and wages, his pensionable earnings from self-employment and, if he resides in Québec at the end of the year, his pensionable earnings from family-type resource or intermediate resource activities.

According to an agreement reached by the authorities administering these plans, where the employee resides in Québec at the end of the year for which the over-contribution was paid – or, if he died in the year, on the date of his death –, the total of the over-contribution is refundable to the employee under the *Act respecting the Québec Pension Plan* once the tax return he must file in Québec for the year is processed. In all other cases, the total of the over-contribution is refundable under the legislation governing the Canada Pension Plan once the federal tax return the employee must file for the year has been processed.

In this context, the *Act respecting the Québec Pension Plan* will be amended to stipulate, on the one hand, that an employee residing in Québec at the end of December 31 of a given year after 2012 – or, if he died during the year, on the date of his death – will be deemed to have paid an over-contribution where, for the year, the total of the deductions at source made on his salary and wages, by one or more employers, under the *Act respecting the Québec Pension Plan* or a similar plan⁷¹ exceeds the total of the following amounts:

- a) an amount equal to the product of the contribution rate for employees for the year under the similar plan multiplied by the lesser of the following amounts:
 - i. the excess of all of the amounts each of which corresponds to his pensionable salary and wages for the year in respect of pensionable employment under the similar plan⁷² over the prorated portion of his personal exemption for the year under such plan,
 - ii. the prorated portion of the maximum of his contributory earnings for the year under the similar plan;

70 According to the *Act respecting the Québec Pension Plan*, the expression “similar plan” means an Act of the Parliament of Canada or of the legislature of another province establishing a plan declared to be similar by the Government. Since the Québec Pension Plan was created, only the act instituting the Canada Pension Plan is considered a similar plan.

71 For greater clarity, where an employer paid, on account of employee contribution for a given year under the Québec Pension Plan or a similar plan, an amount it failed to deduct from the employee’s salary and wages, such amount shall be deemed to have been deducted at source by the employer on account of employee contribution for the year.

72 According to section 46 of the *Act respecting the Québec Pension Plan*, the pensionable salary and wages of a worker for a year in respect of pensionable employment under a similar plan shall be computed in the manner required by such similar plan.

- b) an amount equal to the product of one-half of the rate of contribution under the Québec Pension Plan for the year multiplied by the lesser of the following amounts:
- i. the excess of the total of the amounts each of which corresponds to his pensionable salary and wages for the year in respect of pensionable employment under the Québec Pension Plan and of the total of his pensionable earnings from self-employment and his pensionable earnings from family-type resource or intermediate resource activities over the excess of his personal exemption for the year over the prorated portion of his personal exemption for the year under the similar plan,
 - ii. the excess of the maximum of his contributory earnings for the year over the lesser of the amounts mentioned in subparagraphs i. and ii. of paragraph a.

For the purposes of these calculation rules, the prorated portion of the personal exemption of an employee under a similar plan and the prorated portion of his maximum contributory earnings under such plan will correspond, respectively, to the amounts obtained after multiplying the amounts that, under the similar plan, represent his personal exemption⁷³ and his maximum contributory earnings⁷⁴ for the year by the proportion obtained by dividing:

- on the one hand, all of the amounts each of which corresponds to the employee's pensionable salary and wages for the year in respect of pensionable employment under the similar plan, up to for each of these amounts the employee's maximum pensionable earnings for the year under the similar plan;⁷⁵
- by, on the other hand, all of the amounts each of which corresponds to the employee's pensionable salary and wages for the year in respect of pensionable employment under the Québec Pension Plan or the similar plan, up to for each of these amounts the employee's maximum pensionable earnings for the year under the Québec Pension Plan or the similar plan, as the case may be.

For greater clarity, for the purposes of calculating this proportion, where an employee carried out during a year an employment that is pensionable both by the Québec Pension Plan and by the similar plan, the total of the employee's pensionable salary and wages for the year regarding such employment must not exceed the maximum of his pensionable earnings for the year under the Québec Pension Plan.

Furthermore, the *Act respecting the Québec Pension Plan* will be amended to stipulate that, where deductions at source have been made during a given year, after 2012, under the *Act respecting the Québec Pension Plan* or a similar plan on the salary and wages paid to an employee residing outside Québec at the end of December 31 of the year – or, if he died during the year, on the date of his death –, the provisions of the similar plan must be applied to determine the amount of the over-contribution such employee will, if applicable, be deemed to have paid for the year.

73 For the purposes of the Canada Pension Plan, the amount of an employee's personal exemption, which is called in this plan "amount of the basic exemption of a person", must be calculated in accordance with section 19 of the act governing such plan.

74 For the purposes of the Canada Pension Plan, an employee's maximum contributory earnings must be calculated in accordance with sections 16, 17 and 19 of the act governing such plan.

75 For the purposes of the Canada Pension Plan, an employee's maximum pensionable earnings must be calculated in accordance with section 17 of the act governing such plan.

- **Consequential amendments arising from the difference in contribution rates between the public plans**
- **Changes to the rules for calculating the contribution on earnings from self-employment or from resource activities**

Briefly, self-employed workers as well as family-type resources and intermediate resources to whom the *Act respecting the representation of family-type resources and certain intermediate resources and the negotiation process for their group agreements* applies must, if they reside in Québec at the end of a year,⁷⁶ pay a contribution to the Québec Pension Plan on their pensionable earnings for the year, up to their maximum contributory earnings.

To determine the amount of the contribution they must pay for a given year, these workers may deduct, from their maximum contributory earnings for the year, the salary and wages on which both they and their employer have paid contributions to the Québec Pension Plan and to the Canada Pension Plan.

Various adjustments will be made to the rules for calculating the contribution on pensionable earnings from self-employment or from resource activities as of 2013 so that the amount of salaries and wages on which contributions to the Québec Pension Plan have been made and the amount of salaries and wages on which contributions to the Canada Pension Plan have been made better reflect the allocation of such amounts that must be made between each of these plans.

More specifically, the *Act respecting the Québec Pension Plan* will be amended to stipulate that the contribution that a self-employed worker, a family-type resource or an intermediate resource must pay, for a given year, will be equal to the product of the contribution rate for the year multiplied by the lesser of the following amounts:

- the excess of the total of his pensionable self-employed earnings for the year and of his pensionable earnings as a family-type resource or intermediate resource for the year over the greater of the following amounts:
 - where no deduction at source on account of an employee contribution under the Québec Pension Plan or a similar plan has been made for the year regarding the worker, the amount of his personal exemption for the year or, otherwise, the amount by which his personal exemption for the year exceeds the total of the amounts each of which corresponds to his pensionable salary and wages for the year in respect of pensionable employment under the Québec Pension Plan or a similar plan,
 - the excess, over all of the amounts each of which corresponds to his pensionable salary and wages for the year in respect of pensionable employment under the Québec Pension Plan or a similar plan, of the total of his personal exemption for the year, the amount of his salary and wages on which a contribution was made for the year under the Québec Pension Plan and the amount of his salary and wages on which a contribution was made for the year under a similar plan;

⁷⁶ Where a person dies or ceases to reside in Canada during a year, the moment immediately preceding his death or cessation of residence is deemed the end of such year.

- the excess of his maximum contributory earnings for the year over the amount of his salary and wages on which a contribution was made for the year under the Québec Pension Plan and the amount of his salary and wages on which a contribution was made for the year under a similar plan.

To that end, the amount of a worker's salary and wages on which a contribution was made for a year under the Québec Pension Plan will correspond to the amount obtained by dividing, by one-half of the rate of contribution applicable for the year, an amount equal to the excess of all of the deductions at source made on his salary and wages for the year under the *Act respecting the Québec Pension Plan* or a similar plan⁷⁷ and of any amount an employer omitted, for the year, to deduct at source from his salary and wages, as he should have done under the Québec Pension Plan or a similar plan, if the worker reported this omission no later than April 30 of the following year over the total of the following amounts:

- an amount equal to the product of the contribution rate for employees for the year under the similar plan multiplied by the amount of his salary and wages on which a contribution was made for the year under such plan;
- in the case where an employer of the worker obtained, in whole or in part, a refund of a contribution paid in his regard for the year, an amount equal to 50% of the total of the amounts each of which corresponds to an amount thus refunded to an employer⁷⁸ of the worker for the year and of the amount of the over-contribution the worker is deemed to have paid for the year.

As for the amount of a worker's salary and wages on which a contribution was made for a year under a similar plan, it will correspond to the lesser of the following amounts:

- the excess of all of the amounts each of which corresponds to his pensionable salary and wages for the year in respect of pensionable employment under the similar plan over the prorated portion of his personal exemption for the year under such plan;
- the prorated portion of his maximum contributory earnings for the year under the similar plan;
- the amount obtained by dividing, by the contribution rate for employees for the year under the similar plan, the amount corresponding to all of the deductions at source made from the worker's salary and wages for the year under the *Act respecting the Québec Pension Plan* or a similar plan⁷⁹ and of any amount an employer failed, for the year, to deduct at source from his salary and wages, as it should have done under the Québec Pension Plan or a similar plan, if the worker reported such omission no later than April 30 of the following year.

77 See note 71.

78 As a general rule, such a refund arises either from an error made by the employer, or from an event resulting in a decrease in the worker's maximum contributory earnings for the year – such as the worker's receiving a disability pension from the Québec Pension Plan or the Canada Pension Plan. However, no part of an amount that an employer paid for a year regarding a worker that is attributable to all of the contributions it should have deducted for the year from his salary and wages in accordance with the applicable regulations may be refunded.

79 See note 71.

For the purposes of determining the amount of a worker's salary and wages on which a contribution was made for a year under a similar plan, the prorated portion of the worker's personal exemption under a similar plan and the prorated portion of his maximum contributory earnings under such plan will correspond, respectively, to the amounts obtained after multiplying the amounts that, for the purposes of the similar plan, represent his personal exemption⁸⁰ and his maximum contributory earnings⁸¹ for the year by the proportion obtained by dividing:

- on the one hand, all of the amounts each of which corresponds to the worker's pensionable salary and wages for the year in respect of pensionable employment under the similar plan, up to for each of these amounts the worker's maximum pensionable earnings for the year under the similar plan;⁸²
- by, on the other hand, all of the amounts each of which corresponds to the worker's pensionable salary and wages for the year in respect of pensionable employment under the Québec Pension Plan or the similar plan, up to for each of these amounts the worker's maximum pensionable earnings for the year under the Québec Pension Plan or the similar plan, as the case may be.

For greater clarity, for the purposes of calculating this proportion, where a worker carried out during a year an employment that is pensionable both by the Québec Pension Plan and by a similar plan, the total of the worker's pensionable salary and wages for the year regarding such employment must not exceed the maximum of his pensionable earnings for the year under the Québec Pension Plan.

■ **Changes relating to the determination of the maximum amount on which a voluntary contribution may be paid**

Subject to certain limits, a worker may elect to add, to his pensionable self-employed earnings for a year, a portion of his salary and wages on which no contribution was paid to one of the public plans for the year.

Such election may apply not only to a portion of the worker's pensionable salary and wages for the year⁸³ on which no contribution was deducted at source by an employer,⁸⁴ but also, in the cases stipulated by regulation, to a portion of the income the worker earned for the year from excepted employment that, had it been earned from pensionable employment, would have been included in the calculation of his pensionable salary and wages for the year.⁸⁵

80 See note 73.

81 See note 74.

82 See note 75.

83 The amount of the pensionable salary and wages of a worker for a year generally correspond to the worker's income for the year from pensionable employment.

84 Such portion may cover salary insurance benefits from an insurance plan to which an employer paid a contribution or from taxable benefits paid in kind (for example, stock options).

85 An example of recognized excepted employment is employment in Québec for an employer that has no establishment there or for an employer that is another government or international organization, where the employer has not signed an agreement or arrangement to make such employment pensionable employment. Recognized excepted employment also includes employment in Québec of an Indian where the income therefrom is located on a reserve and his employer has not elected to make such employment pensionable employment.

Considering that the determination of the portion of salary and wages on which no contribution was made has, as a corollary, the determination of the portion of such salary and wages on which a contribution was made, changes will be made, as of 2013, to the rules relating to the determination of the maximum amount on which a voluntary contribution may be made.

More specifically, the *Act respecting the Québec Pension Plan* will be amended to stipulate that the maximum amount that a worker may elect to add to his pensionable self-employed earnings for a given year will be equal to the excess of the lesser of his pensionable salary and wages for the year – including any amount authorized by regulation to be considered as being pensionable salary and wages for the year⁸⁶ – and his maximum pensionable earnings for the year over the total of the following amounts:

- the amount of his salary and wages on which a contribution was made for the year under the Québec Pension Plan⁸⁷ and the amount of his salary and wages on which a contribution was made for the year under a similar plan;⁸⁸
- the lesser of the following amounts:
 - the total of all of the amounts each of which is an amount that an employer deducted from his salary and wages on account of his basic exemption for the year for the purposes of calculating his employee contribution to the Québec Pension Plan⁸⁹ and of all of the amounts each of which is an amount that an employer deducted from his salary and wages on account of any like exemption for the year for the purposes of calculating his employee contribution to a similar plan,
 - the amount of his personal exemption for the year.

However, as is currently the case, to be valid such an election must be made in writing no later than the 15th day of June of the second year following the year for which it is made.

■ Other consequential amendments

Various other technical adjustments may be made to the *Act respecting the Québec Pension Plan* and its regulations to ensure the smooth integration of the new rules announced in this information bulletin.

86 Section 4 of the *Regulation respecting the participation of Indians in the Québec Pension Plan* (CQLR, chapter R-9, r. 4) and section 21 of the *Regulation respecting pensionable employment* (CQLR, chapter R-9, r. 6) allow, in certain circumstances, a worker to include the income he earned from excepted employment.

87 This amount must be determined under the rules to be established to determine the amount of a worker's salary and wages on which a contribution was made for a year under the Québec Pension Plan for the purposes of calculating a worker's contribution on earnings from self-employment or from resource activities.

88 This amount must be determined under the rules to be established to determine the amount of a worker's salary and wages on which a contribution was made for a year under a similar plan for the purposes of calculating a worker's contribution on earnings from self-employment or from resource activities.

89 The basic exemption, which has stood at \$3 500 since 1998, is allocated proportionally generally on the basis of the frequency at which an employee's salary and wages are paid for the purposes of calculating deductions at source that must be made regarding the employee.

□ Clarifications concerning the calculation of amounts that must be deducted at source on account of employee contribution

Briefly, the *Act respecting the Québec Pension Plan* stipulates that an employee who is employed in pensionable employment for an employer must, by means of deductions at source, pay a contribution equal to the product of one-half of the rate of contribution for the year multiplied by the lesser of the following amounts:

- the salary and wages his employer pays him for the year or pays in his regard, or is deemed to pay him,⁹⁰ less the amount of the basic exemption applicable for the year;⁹¹
- his maximum contributory earnings for the year⁹², less the amount of his salary and wages paid by the employer on which an employee contribution was made for the year under a similar plan.

In this regard, an amendment will be made to clarify that the amount of salary and wages paid by an employer to an employee on which an employee contribution was made for a year under a similar plan will correspond to an amount equal to the total of all the employee contributions that the employee was required to pay during the year, under such plan, regarding such salary and wages divided by the contribution rate for employees stipulated by such plan for the year.

For its part, the *Regulation respecting contributions to the Québec Pension Plan* stipulates that the amount an employer must deduct at source, for a given pay period, regarding an employee corresponds either to the product obtained by multiplying the contribution rate for employees applicable for the year by the excess of the salary and wages paid to the employee for the pay period over the portion of the basic exemption attributable to such period, or to the amount stipulated in one of the tables, drawn up by the Minister of Revenue, setting the amount to be deducted at source for the pay period regarding the salary and wages paid to the employee if such a period is provided therein.

It also stipulates that the contribution deducted for a pay period must not be greater than the excess of the product obtained by multiplying the employee's maximum contributory earnings for the year by the contribution rate for employees applicable for the year on the total of the contributions deducted by the employer from his remuneration since the beginning of the year, or that should have been so deducted under the Regulation or a similar plan.

To reflect the fact that it is unlikely in the short term that the contribution rate for employees under the Canada Pension Plan will again correspond to the contribution rate for employees under the Québec Pension Plan, the *Regulation respecting contributions to the Québec Pension Plan* will be amended to stipulate that a weighting factor must be applied to contributions that were deducted or that should have been deducted by an employer under a similar plan.

90 Salary and wages must be determined in accordance with the second paragraph of section 50 of the *Act respecting the Québec Pension Plan* and include no amount paid to the employee, paid in his regard, or deemed paid to him before he reaches age 18 or during a month that, because of disability, is excluded from his contributory period.

91 Since 1998, the amount of the basic exemption has been equal to \$3 500.

92 See note 66.

More specifically, to determine the maximum contribution that an employer must deduct at source for a given pay period of an employee, the total of the contributions deducted by the employer from the employee's remuneration since the beginning of the year or that should have been deducted under a similar plan will have to be increased by a factor equal to the proportion obtained by dividing the contribution rate for employees for the year under the Québec Pension Plan by the contribution rate for employees for the year under the Canada Pension Plan.

These amendments will apply as of 2014.

3.2 Recognition of new centres as eligible public research centres

A taxpayer that carries on a business in Canada can obtain a refundable tax credit for scientific research and experimental development (R&D) of 35% in relation to R&D activities carried out on its behalf, in Québec, by an eligible public research centre in the course of an eligible research contract that the taxpayer enters into with such a centre.

In this regard, it is the responsibility of the Ministère des Finances et de l'Économie to recognize a research centre as an eligible public research centre for the purposes of this refundable tax credit.

To recognize a centre as an eligible public research centre, the Ministère des Finances et de l'Économie requires that the centre demonstrate its capacity, in terms of human, physical and financial resources, to carry out R&D work on behalf of businesses.

Accordingly, the employees of the research centre must have the qualifications required to carry out R&D work and the research centre must have premises and equipment that enable it to do such work in its field of expertise. In addition, the research centre must obtain most of its financing from public funds.

Two new research centres will be recognized as eligible public research centres for the purposes of refundable tax credit for R&D.

The Cégep de Victoriaville, regarding its Centre d'expertise et de transfert en agriculture biologique et de proximité (CETAB+), will be recognized as an eligible public research centre for the purposes of the refundable tax credit for R&D. This recognition will apply regarding R&D carried out by this centre after September 9, 2012, under a contract entered into after that date.

In addition, the SAVIE (Société pour l'apprentissage à vie) centre will be recognized as an eligible public research centre for the purposes of the refundable tax credit for R&D. This recognition will apply regarding R&D carried out by this centre after June 19, 2012, under a contract entered into after that date.