

CHANGES MADE TO VARIOUS MEASURES OF A FISCAL NATURE AND HARMONIZATION WITH CERTAIN FEDERAL TAX MEASURES

This information bulletin makes public the changes to certain measures that affect individuals and businesses.

To this end, it examines in detail the amendments that will be introduced into tax legislation to put to good use the exemptions granted for the purpose of calculating the premium payable under the public prescription drug insurance plan, update and enhance the taxation system applicable to international financial centres, and relax the administration of the tax regime when a sectoral document is required from a taxpayer wishing to take advantage of a tax credit intended for businesses.

Moreover, it explains the amendments that will be made to the *Act respecting duties on transfers of immovables* to stipulate an exemption from the payment of transfer duties when an immovable involving a partnership is transferred. In the same way, the bulletin adjusts the list of investments that Capital régional et coopératif Desjardins may recognize for the purpose of calculating the investment requirement imposed on it.

Lastly, it announces the position of the Ministère des Finances respecting the tax measures that the federal government has proposed or adopted in recent months that concern, by way of an example, the factor of non-eligible dividends and nurse practitioners.

For information concerning the matters dealt with in this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus et des politiques locales et autochtones at 418 691-2236.

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CHANGES MADE TO VARIOUS MEASURES OF A FISCAL NATURE AND HARMONIZATION WITH CERTAIN FEDERAL TAX MEASURES

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1. ADJUSTMENT OF THE EXEMPTIONS ALLOWED FOR THE PURPOSE OF CALCULATING THE PREMIUM PAYABLE UNDER THE PUBLIC PRESCRIPTION DRUG INSURANCE PLAN

The Basic Prescription Drug Insurance Plan established by the Québec government guarantees all Quebecers fair access to the medications required by their state of health. Coverage under the plan is provided by the Régie de l'assurance maladie du Québec, as the administrator of the Public Prescription Drug Insurance Plan, or by insurers transacting group insurance or by administrators of private-sector employee benefit plans.

As a general rule, the Régie de l'assurance maladie du Québec provides coverage for individuals who are not required to become members of a group insurance contract, an individual insurance contract concluded on the basis of one or more of the distinctive characteristics of group insurance¹ or an employee benefit plan applicable to a determined group of persons, and coverage for individuals whom no one is required to cover.

Adults registered with the Régie de l'assurance maladie du Québec are required to contribute to the payment of the cost of pharmaceutical services and medications provided to them whenever a prescription is filled or renewed. The contribution, which is subject to a maximum amount, consists of a deductible amount² and a coinsurance payment.³

However, adults whose income consists essentially of social assistance benefits based on an examination of resources, needs or income are exempt from paying any contribution. This exemption, which targets the most disadvantaged persons, is geared more specifically to persons eligible for a last resort financial assistance program provided for in the *Individual and Family Assistance Act*, as well as to persons 65 years of age or over who receive, pursuant to the *Old Age Security Act*,⁴ 94% or more of the maximum amount of the monthly guaranteed income supplement determined, which does not take into account the additional amount granted since July 2011.

Adults who are not covered throughout a year by a group insurance contract, an individual insurance contract concluded on the basis of one or more of the distinctive characteristics of group insurance or an employee benefit plan that is applicable to a determined group of persons must generally pay a premium for that year to finance the Public Prescription Drug Insurance Plan. For 2017, the maximum premium payable is \$663.50 per adult.

¹ The individual insurance contract must be covered by section 42.2 of the *Act respecting prescription drug insurance*.

² The deductible amount is the portion of the cost of pharmaceutical services and medications borne entirely by the person covered by the plan during the reference period. Since July 1, 2017, the amount of the deductible is \$233.40 per year, divided into equal monthly parts.

³ The coinsurance payment is the portion of the cost of pharmaceutical services and medications borne by the person covered by the plan. Since July 1, 2017, the coinsurance portion is 34.8%.

⁴ R.S.C, 1985, c. O-9.

However, most adults who are exempt from paying any contribution to the cost of pharmaceutical services and medications provided to them under the public plan are also exempt from paying the premium.

Moreover, to reflect a household's ability to pay, the premium payable by an adult for a year is determined on the basis of family income, from which an exemption amount based on the household's composition is subtracted.⁵

Since the introduction of the Public Prescription Drug Insurance Plan, the amount of these exemptions has been adjusted annually to protect household purchasing power. In addition, to ensure the progressivity of the premium, two contribution rates are applicable. The first rate⁶ applies to the first \$5 000 of income covered, and the second rate,⁷ to the portion exceeding \$5 000.

Accordingly, to maintain the principles underlying the determination of the amount of the premium payable to the Public Prescription Drug Insurance Plan, the amount of each of the exemptions currently allowed to establish the threshold at which a premium becomes payable will be adjusted for 2017.

The following table shows the amount of each of the allowable exemptions for 2017, according to household composition.

TABLE

Amount of the exemptions allowed for the purpose of calculating the premium payable under the Public Prescription Drug Insurance Plan for 2017
(dollars)

Household composition	Amount of the exemption
1 adult, no children	15 790
1 adult, 1 child	25 600
1 adult, 2 or more children	28 980
2 adults, no children	25 600
2 adults, 1 child	28 980
2 adults, 2 or more children	32 105

⁵ The amount that must be applied to reduce family income makes it possible to exempt from payment of the premium adults whose family income is below a certain threshold.

⁶ For 2017, the first contribution rate is 6.88%, in the case of a single person, and 3.47%, in the case of a person living in a couple.

⁷ For 2017, the second contribution rate is 10.33%, in the case of a single person, and 5.19%, in the case of a person living in a couple.

2. AMENDMENTS AIMED AT UPDATING AND ENHANCING THE IFC SYSTEM

The international financial centre (IFC) system was established on January 1, 1986.⁸ Since its inception, the system has sought to facilitate, mainly by means of tax incentives, the establishment, development and maintenance in the urban agglomeration of Montréal of firms specializing in international financial transactions.⁹

In this respect, the Minister of Finance is responsible for issuing the requisite sectoral documents to apply this fiscal measure. On this account, he evaluates whether the activities carried out or that are to be carried out in the context of the operation of an IFC conform to the objectives pursued pursuant to the *Act respecting international financial centres*.

The IFC system initially took the form of tax holidays in respect of income tax, the capital tax and employer contributions to the Health Services Fund.

In 2010, the tax holidays were replaced by a refundable tax credit pertaining to eligible salaries paid by a company operating an IFC to its employees.¹⁰ More recently,¹¹ the refundable tax credit was replaced by a non-refundable tax credit, except for certain administrative support activities of an IFC, which continue to give rise to entitlement to a refundable tax credit when such activities qualify otherwise as qualified international financial transactions (QIFTs).¹²

An IFC is defined as a business or a part of a business established in the urban agglomeration of Montréal all of whose activities focus on QIFTs and necessitate at least six employees.¹³

The delivery of financial services is changing with the introduction of new technologies and the reinforcement of regulatory obligations, which, among other things, is compelling businesses in the financial sector to review their business model.

In this context, changes will be made to the IFC system to enhance the level of tax assistance under the system and to update it (it now only covers the field of qualified international financial transactions) to better reflect the business model of companies in the financial sector such that the existing refundable tax credit for IFCs is also granted in respect of international financial operations carried out by a corporation.

Moreover, the legislation will be amended to stipulate the current administrative practice of the Minister of Finance whereby only new projects are eligible as regards the IFC system.

⁸ Ministère des Finances du Québec, *Budget 1985-1986 – Budget Speech, Appendix A*, April 23, 1985, page A.40.

⁹ *Act respecting international financial centres* (CQLR, chapter C-8.3) section 1.

¹⁰ Ministère des Finances du Québec, *Budget 2010-2011 – Additional Information on the Budgetary Measures*, March 30, 2010, pages A.53-A.62.

¹¹ Ministère des Finances du Québec, *Budget 2015-2016 – Additional Information 2015-2016*, March 26, 2015, pages A.95-A.100.

¹² *Act respecting international financial centres*, section 7(22).

¹³ *Act respecting international financial centres*, sections 6 and 7.

❑ The annual limit on salaries is raised to \$75 000

An eligible corporation that operates a business recognized by the Minister of Finance as an IFC can benefit in a given taxation year either from a refundable or a non-refundable tax credit, as the case may be, representing 24% of the eligible salaries that it has paid in respect of the year to eligible employees whose duties are devoted to QIFTs carried out by the corporation.

The current rules stipulate that the eligible annual salary of an eligible employee may not exceed \$66 667, thereby allowing a corporation to benefit from a refundable tax credit or a non-refundable tax credit, as the case may be, of not more than \$16 000 per eligible employee annually.

The tax legislation will be amended such that the annual salary limit of \$66 667 applicable since 2010 is raised to \$75 000 for the application of refundable and non-refundable tax credits for IFCs, thereby allowing a corporation that is eligible for the tax credits to benefit from tax assistance of up to \$18 000 per employee annually.

❑ Broadening the scope of application of the IFC system

The *Act respecting international financial centres* will be amended to broaden the scope to the execution of qualified international financial operations (QIFOs) carried out in conjunction with an eligible contract by a corporation operating an IFC in the urban agglomeration of Montréal.

Accordingly, an IFC signifies a business or a part of a business established in the urban agglomeration of Montréal all of whose activities concern QIFTs or activities pertaining to an eligible contract mainly comprising QIFOs, or an array of both types of activities.

The other conditions applicable to the recognition of an IFC stipulated by the *Act respecting international financial centres*, such as the condition respecting the necessity of having six eligible employees and the conditions stipulated by the *Act respecting the sectoral parameters of certain fiscal measures* (hereinafter, the “sectoral act”)¹⁴ will continue to apply and the requisite adjustments will be made to it.

■ Eligible contract

The *Act respecting international financial centres* will be amended such that an eligible contract refers to an agreement that a corporation concludes with a foreign financial entity.

Pursuant to such an agreement, the corporation must undertake to mainly carry out QIFOs on behalf of the foreign financial entity by performing services that include support, analysis, control and management.

In this respect, only an agreement that calls for the execution of new activities can qualify as an eligible contract.

The new activities must necessitate for the corporation additional financial, human and physical resources and they must not have begun more than 12 months before the date of the application to the Minister of Finance to issue the initial certificate, as described later in this announcement, or must have begun no later than 24 months after that date, as the case may.

¹⁴ CQLR, chapter P-5.1.

The execution of the QIFOs that is subcontracted to the corporation must relate to a business wholly or almost wholly operated by a foreign financial entity outside Canada and the business must not have been operated beforehand in Canada.

What is more, the support, analysis, control or management services rendered by the corporation must be directly linked to the business operated by the foreign financial entity outside Canada and consist in services that the corporation did not provide beforehand in Québec on behalf of the entity or a person dealing on a non-arm's length basis with the corporation.

For greater clarity, activities carried out by the corporation in respect of the management and ongoing administration of the business or the part of the business that qualifies as an IFC in conjunction with which the activities under the eligible contract will be carried out do not constitute activities directly related to the business operated by the foreign financial entity outside Canada.

Moreover, following the example of the current provisions in the *Act respecting international financial centres* that, under certain circumstances, allow the corporation operating an IFC to not deal at arm's length with the person on behalf of which it is executing QIFTs,¹⁵ the Act will be amended such that activities related to an eligible contract mainly covering QIFOs that a corporation executes on behalf of a foreign financial entity are nevertheless eligible when the corporation does not deal at arm's length with the foreign financial entity.

Furthermore, the sectoral act will be amended such that a corporation is obliged to obtain from the Minister of Finance an initial certificate of qualification and an annual certificate in respect of an eligible contract.

▪ **Initial certificate of qualification**

A corporation must submit to the Minister of Finance a request for the issuing of an initial certificate of qualification respecting a contract that it has concluded or will conclude with a foreign financial entity concerning activities pertaining to QIFOs that it intends to carry out on behalf of the foreign financial entity.

The corporation must disclose to the Minister of Finance all of the QIFOs and related activities that it will carry out under such a contract. The initial certificate of qualification will list the related activities.

The non-renewable initial certificate of qualification will be valid for 10 years and will come into force on the date of the application for the issuing of the certificate of qualification or the date of the beginning of the activities covered by the eligible contract when that date is subsequent to the date of the application for the issuing of the initial certificate of qualification.

¹⁵ *Act respecting international financial centres*, section 7.1(2).

▪ **Annual certificate**

For each fiscal year or part of the fiscal year of the corporation included in the period of validity of the initial certificate of qualification, a corporation must submit to the Minister of Finance an application for the issuing of a certificate respecting an eligible contract that it has concluded with a foreign financial entity concerning the activities that it has carried out with regard to the contract.

Accordingly, the corporation must show that the activities that it carried out during this period on behalf of a foreign financial entity pursuant to an eligible contract correspond to the QIFOs and related activities indicated on the initial certificate of qualification and that the QIFOs mainly made up the overall activities that it carried out pursuant to the eligible contract during this period.

The corporation must also show that the support, analysis, control or management services that it rendered to the foreign financial entity during this period are directly related to the business operated by the foreign financial entity outside Canada and consist in services that the corporation had not provided beforehand in Québec on behalf of the entity or a person dealing with the corporation on a non-arm's length basis.

▪ **Foreign financial entity**

The *Act respecting international financial centres* will be amended such that a foreign financial entity designates a person, a corporation or a general partnership that operates a business all or almost all of whose activities are located outside Canada and that is included among the following entities or a group comprising such entities:

- a bank;
- a savings and credit union;
- a trust company;
- a stockbroker;
- an insurance company;
- any other financial institution, insurance or services company similar to an entity covered by one of the preceding paragraphs;
- a securities portfolio advisor or portfolio manager;
- a damage or personal insurance broker;
- a corporation all of whose issued share capital belongs to one or more of the preceding entities.

■ Eligible qualified international financial operation

The *Act respecting international financial centres* will be amended such that an eligible international financial operation includes an activity that pertains to services respecting compliance, due diligence, knowledge of the client, corporate finance and taxation, financial disclosure, risk management and data control and quality.

In this respect, activities related to the following list will not qualify as qualified international financial operations:

- promotion or marketing;
- human and physical resources management.
- the information technologies, including:
 - the development of data processing systems;
 - the migration and modernization of technological platforms;
 - computer support;
 - business processes automation;
 - digital security (cybersecurity).

■ Eligible employee

The sectoral act will be amended such that a corporation is obliged to obtain from the Minister of Finance an initial certificate of qualification and an annual certificate in respect of each employee whose duties are devoted to the execution of the activities stipulated in an eligible contract.

In this respect, the conditions applicable to the recognition of an eligible employee stipulated in the sectoral act, such as the provision that the employee must work full time for the corporation, at least 26 hours per week, for a minimum anticipated period of 40 weeks, will apply, and the requisite adjustments will be made thereto.

In this context, an employee will only be recognized as an eligible employee for a given period if his duties are directly attributable to the execution of the activities stipulated in an eligible contract and he devotes at least 75% of his work time thereto during this period.

What is more, the corporation must indicate to the Minister of Finance the eligible contract in respect of which the employee's duties pertain and the annual certificate that the Minister issues in respect of such an employee will include a special mention to this effect.

■ Refundable tax credit

Amendments will be made to the tax legislation concerning this refundable tax credit.

As noted earlier, the existing refundable tax credit for IFCs will also be granted in respect of the QIFOs carried out by a corporation. Accordingly, for a given taxation year, a corporation can benefit from a refundable tax credit corresponding to an amount representing 24% of the eligible salaries that it has paid for the year to its eligible employees whose duties are devoted to the execution of the activities stipulated in an eligible contract.

The increase of the eligible annual salary of an eligible employee to \$75 000 will apply, thereby allowing an eligible corporation to benefit from a refundable tax credit of up to \$18 000 per eligible employee annually.

However, because of the significance of these changes to the IFC system, specific rules will be introduced to limit annually the combined amount of the refundable tax credit from which an eligible corporation can benefit for a taxation year as regards the international financial operations that it undertakes.

More specifically, the tax legislation will be amended such that the combined amount of the refundable tax credit to which an eligible corporation will be entitled for a given taxation year in respect of employees whose duties are devoted to the execution of the activities stipulated in an eligible contract is limited to 80% of the refundable tax credit in respect of such employees.

■ Effective date

The changes will apply for the taxation year of a corporation ending after the date of publication of this information bulletin in respect of eligible expenses that it incurs after that date. For greater clarity, the usual rules will apply concerning the taxation year of a corporation including the date of publication of this information bulletin.

What is more, as for broadening the scope of application of the IFC system, the changes will apply to an eligible contract in respect of which the corporation submits an application for the issuing of an initial certificate of qualification after the date of publication of this information bulletin.

□ Foreign specialist

A foreign specialist¹⁶ working for an IFC operated by an eligible corporation can benefit from a tax holiday for a period not exceeding five years that takes the form of a deduction in the calculation of his taxable income.

Essentially, this deduction represents a fraction, expressed as a percentage of the total income of such a specialist, equal to 100% for the first two years of the period of the tax holiday and to 75%, 50% and 37.5%, respectively, for the third, fourth and fifth years of this period.¹⁷

¹⁶ *Act respecting the sectoral parameters of certain fiscal measures*, Schedule E, section 3.4.

¹⁷ *Taxation Act* (CQLR, chapter I-3), section 737.16.

Consequential amendments will be made to the sectoral act such that the duties that a foreign specialist employee performs in respect of an eligible contract are also considered for the application of the tax holiday.

More specifically, a person can be recognized as a foreign specialist employee if the individual specializes in a field related to the activities stipulated in an eligible contract. Furthermore, such a person may only be recognized as a foreign specialist employee if the person is part of the strategic personnel of the IFC.

The amendments will apply to a person that the Minister of Finance recognizes as a foreign specialist employee after the date of publication of this information bulletin concerning an employment contract that the person has concluded after that date with the eligible corporation.

❑ Clarification on new projects of the IFC

As noted earlier, the IFC system covers the establishment, development and maintenance in the urban agglomeration of Montréal of firms specializing in international financial transactions.

Moreover, the Minister of Finance is elaborating and proposing to the government guidelines and policies favourable to Montréal's development as an international financial centre and is overseeing their execution.¹⁸

In this context, the Minister of Finance has always adopted as an administrative practice to only accept the new projects of IFCs for the application of this tax measure. The legislation will, accordingly, be amended to specify this practice.

More specifically, the *Act respecting international financial centres* will be amended to specify therein that a business or a part of a business operated by a corporation can only qualify as an IFC in the case of new activities or the expansion of existing activities of the corporation and if such activities necessitate additional financial, human and physical resources.

The new activities or the expansion of existing activities may not have begun more than 12 months prior to the date of the application for the issuing of an initial certificate of qualification from the Minister of Finance¹⁹ or must have begun no later than 24 months after that date, as the case may be.

This amendment will be declaratory.

¹⁸ *Act respecting international financial centres*, section 3.

¹⁹ *Act respecting the sectoral parameters of certain fiscal measures*, Schedule E, section 2.2.

3. INTRODUCTION OF EXEMPTIONS FROM THE PAYMENT OF TRANSFER DUTIES ON THE TRANSFER OF AN IMMOVABLE INVOLVING A PARTNERSHIP

The *Act respecting duties on transfers of immovables* (hereinafter, the “Act”) provides that every municipality must collect duties on the transfer of any immovable situated within its territory.

Moreover, the Act grants certain exemptions from the payment of transfer duties where, for example, the transfer of an immovable involves a transferor or a transferee that is a legal person.²⁰

However, no exemption from the payment of transfer duties applies if a partnership takes part in the transfer of an immovable.

To address this situation, the Act will be amended to grant the exemption from the payment of transfer duties on the transfer of an immovable involving a partnership, in circumstances similar to those respecting legal persons.

Briefly, this amendment will grant an exemption from the payment of transfer duties at the time of the transfer of an immovable involving a partnership, where the percentage of a partner of the partnership—that partner being the transferor or the transferee of the transfer—of the income or losses of the partnership is at least 90%.

□ New exemptions from the payment of transfer duties

The Act will be amended to introduce an exemption from the payment of transfer duties at the time of the transfer of an immovable made by a transferor who is a natural person to a transferee that is a partnership if, immediately after the transfer, the transferor’s share of the income or losses of the partnership is at least 90%.

As a corollary, the Act will be amended to introduce an exemption from the payment of transfer duties where the transfer of an immovable is made by a transferor that is a partnership to a transferee who is a natural person if, throughout the 24-month period immediately preceding the transfer, the transferee’s share of the income or losses of the partnership is at least 90%.

However, where the partnership that transfers the immovable to a natural person was constituted less than 24 months before the transfer of the immovable, the exemption from the payment of transfer duties will be granted at the time of the transfer if the exemption condition is met throughout the period that begins on the date of constitution of the partnership up to the moment immediately preceding the transfer.

In addition, the Act will be amended so that the exemption from the payment of transfer duties for closely related legal persons applies to the transfer of an immovable made by a transferor or a transferee that is a partnership, with the necessary adaptations respecting the exemption condition concerning the percentage of income or losses of the partnership.

²⁰ These exemptions are provided in subparagraphs *a*, *b* and *d* of the first paragraph of section 19 of the Act.

□ Disclosure mechanism applicable where the exemption condition ceases to be met

Currently, the Act provides that the transferee of an immovable whose transfer was exempt from the payment of transfer duties must notify the municipality in whose territory the immovable is situated, where, during the 24-month period following the date of transfer of the immovable, the exemption condition concerning the percentage of voting rights ceases to be met.²¹

Similarly, the Act will be amended so that the existing disclosure mechanism applies, with the necessary adaptations, to the transfer of an immovable involving a partnership. Thus, the transferee of an immovable will be required to disclose the cessation of the exemption condition concerning the percentage of income or losses, where, in the 24-month period following the date of transfer of an immovable, this condition ceases to be met in the case of the transfer of an immovable made by a transferor who is a natural person to a transferee that is a partnership, and in the case of the transfer of an immovable made between two partnerships or between a partnership and a legal person.

■ Exceptions to the requirement to produce the notice of disclosure

In keeping with the exceptions to the requirement to produce a notice of disclosure where the transfer of an immovable involves a legal person, the Act will be amended to introduce exceptions to the requirement to produce the notice of disclosure applicable where the exemption condition concerning the percentage of partnership income or losses ceases to be met in the 24-month period following the date of transfer of the immovable.²²

More specifically, the Act will be amended so that a partnership that is the transferee of an immovable whose transfer was exempt from the payment of transfer duties, under the exemption concerning the transfer of an immovable made by a transferor who is a natural person, will not be required to pay the transfer duties that would have been otherwise payable in respect of the transfer if, at a particular time in the 24-month period following the date of transfer of the immovable, the transferor's percentage of the income or losses of the partnership falls below 90% due to:

- the dissolution of the transferee; or
- the loss of the transferor's quality of partner for an unexpected reason such as the death or bankruptcy of the partner or the institution of protective supervision in respect of the partner.

²¹ For greater clarity, this disclosure mechanism is provided for in the second paragraph of section 6.1 of the Act.

²² *Information Bulletin 2017-8* of July 13, 2017 introduced exceptions to the requirement to produce a notice of disclosure where the exemption condition concerning percentages of voting rights ceases to be met in the case of the transfer of an immovable involving legal persons.

Similarly, the Act will be amended so that the transferee of an immovable whose transfer was exempt from the payment of transfer duties, under the exemption concerning the transfer of an immovable made between two partnerships or between a partnership and a legal person, will not be required to pay the transfer duties that would have been otherwise payable in respect of the transfer if, at a particular time in the 24-month period following the date of transfer of the immovable, the transferor and the transferee that are involved in the transfer cease to belong to the same closely related²³ group due to:

- the amalgamation of the legal person that is the transferor or the transferee, as the case may be, with one or more legal persons, where the legal person resulting from the amalgamation is closely related to the transferee or the transferor, as the case may be, immediately after the amalgamation and throughout the remainder of the 24-month period following the date of transfer of the immovable; or
- the dissolution of the transferor or transferee.

Date of application

These amendments will apply to transfers of immovables made after the day of this publication.

4. CHANGE TO THE OBLIGATION TO FILE A SECTORAL DOCUMENT WITH AN APPLICATION FOR A REFUNDABLE TAX CREDIT

As part of Budget 2015-2016, it was announced that the *Act respecting the sectoral parameters of certain fiscal measures* (hereinafter, the “sectoral act”) and the *Taxation Act* would be amended to better distinguish between the respective roles of Revenu Québec and the bodies responsible for issuing certificates or other documents necessary for the purposes of certain refundable tax credits.²⁴

Briefly, taxpayers seeking to claim a refundable tax credit for businesses must, where applicable, file an application for the issue of a sectoral document with a body, other than Revenu Québec, responsible for administering the sectoral parameters relating to the tax credit.²⁵

²³ As previously stated, the exemption from the payment of transfer duties for closely related legal persons will apply to the transfer of an immovable involving a partnership, with the necessary adaptations.

²⁴ Ministère des Finances du Québec, *Budget 2015-2016 – Additional Information 2015-2016*, March 26, 2015, pp. A.105-A.108.

²⁵ For greater clarity, the amendments announced in this information bulletin will apply to the non-refundable tax credit for international financial centres and the non-refundable tax credit for the development of e-business.

Such applications must be made to a sectoral body within nine months after the filing due-date²⁶ applicable to the taxation year covered by the refundable tax credit.²⁷ Moreover, for reasons it considers reasonable, the sectoral body may allow such applications to be filed within three months of the end of this nine-month period (hereinafter, collectively, the “sectoral time limit”).²⁸

Once the sectoral body concerned has issued the relevant sectoral document, this document, together with the prescribed refundable tax credit application form, must be filed with Revenu Québec by the later of the following two time limits (hereinafter, the “fiscal deadline”):

- the time limit ending 12 months after the filing-due date applicable to the taxation year covered by the application;
- the time limit ending three months after the date of issue of the sectoral document necessary for the purposes of the refundable tax credit for that year, where the document is issued more than 12 months after the filing due-date.

However, in certain circumstances, the prescribed refundable tax credit application form is sometimes filed without the sectoral document by the fiscal deadline, although the sectoral document was duly obtained.

To avoid refusals of refundable tax credit applications for such a reason, the tax legislation will be amended to allow a sectoral document to be filed after the prescribed refundable tax credit application form.

More specifically, the tax legislation will be amended so that, for a taxation year, taxpayers that file a prescribed refundable tax credit application form with Revenu Québec by the 12-month or three-month fiscal deadline, as the case may be, may file, after that deadline, a copy of a sectoral document necessary for the purposes of the refundable tax credit, where the document was duly obtained from the body concerned.

In these circumstances, it will be up to Revenu Québec to inform taxpayers in writing that their refundable tax credit application will be examined only once it has received the copy of the missing sectoral document, and to set a time limit within which the sectoral document must be filed. For greater clarity, any refund interest will be calculated according to the *Taxation Act* usual rules.

This amendment will apply to taxation years in respect of which the fiscal deadline for filing a prescribed application form for a refundable tax credit for businesses ends after the day of publication of this information bulletin.

In addition, this amendment will apply to taxation years in respect of which the fiscal deadline for filing a prescribed application form for a refundable tax credit for businesses ended before the day of publication of this information bulletin and after June 30, 2015.

²⁶ *Taxation Act* (CQLR, chapter I-3), s. 1, definition of “filing due-date”. In the case of a corporation, this date corresponds to, for a taxation year, the end of a six-month period from the end of that year (s. 1000, subs. 2, para. a, TA).

²⁷ For readability purposes, the situation in which a business is carried on by a partnership is not mentioned in this announcement, although it is covered herein, taking into account the necessary adaptations.

²⁸ *Act respecting the sectoral parameters of certain fiscal measures* (CQLR, chapter P-5.1), s. 9.1.

In this specific case, this amendment will apply only if the prescribed refundable tax credit application form was filed with Revenu Québec by the fiscal deadline applicable to the refundable tax credit for the taxation year concerned and the sectoral document that was to be filed with the form had been duly obtained from the body concerned but was not filed with the form by the fiscal deadline.

In this situation, a prescribed refundable tax credit application form and the sectoral document necessary for the purposes of the tax credit may be filed again with Revenu Québec not later than the 183rd day following the day of publication of this information bulletin. For greater clarity, the application will be processed as an initial refundable tax credit application for the purpose of calculating any refund interest.

5. RECOGNITION OF INVESTMENTS MADE BY CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS THROUGH DESJARDINS CAPITAL PME S.E.C.

Capital régional et coopératif Desjardins is an investment corporation whose mission is to marshal development capital for Québec's resource regions and the cooperative movement.

Since its creation, the government has supported its mission by allowing individuals who acquire its shares to claim a tax benefit. This benefit, which is in the form of a non-refundable tax credit equal to 40% of the issue price of the shares, is designed to encourage individuals to participate in Québec's economic development.

Since the financing of Capital régional et coopératif Desjardins is facilitated by the granting of a tax benefit, an investment requirement was included in its statute of incorporation²⁹ to ensure, in particular, that the funds collected are used as a financing tool contributing to the development of Québec entities.

This requirement stipulates that, for each fiscal year, the eligible investments of Capital régional et coopératif Desjardins, which entail no security or hypothec, must represent, on average, at least 62% of its average net assets for the preceding fiscal year,³⁰ and that a portion, hereinafter the "regional component," representing at least 35% of that percentage must be made in eligible cooperatives or in entities situated in the resource regions of Québec.³¹

Over the years, the investment requirement has been changed to better adapt it to the capital requirements of Québec companies and to enable Capital régional et coopératif Desjardins to play a larger role in the economy.

²⁹ *Act constituting Capital régional et coopératif Desjardins* (CQLR, chapter C-6.1).

³⁰ This percentage applies to the fiscal year ending on December 31, 2017. This percentage must, for each fiscal year beginning after December 31, 2017, increase by one percentage point until it reaches 65% for fiscal years beginning after December 31, 2019.

³¹ For the purposes of the regional component, the regions of Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay-Lac-Saint-Jean are considered resource regions.

Currently, for the purposes of this requirement, eligible investments include, among other things, investments in small and medium-sized Québec businesses, investments in major projects with a structuring effect on the economy, investments made in certain local venture capital funds created and managed in Québec, as well as interests in certain investment funds constituted as limited partnerships.

In recent years, Capital régional et coopératif Desjardins established two development funds, known as Capital Croissance PME and Capital Croissance PME II, to support the growth and development of small businesses in all regions of Québec.

To continue the mission previously carried out by Capital Croissance PME and Capital Croissance PME II, Capital régional et coopératif Desjardins established the fund Desjardins Capital PME S.E.C. in November 2017.

To recognize the participation of Capital régional et coopératif Desjardins in achieving the objectives of Desjardins Capital PME S.E.C., the Act constituting Capital régional et coopératif Desjardins will be amended in order to consider the investments it makes through this limited partnership,³² as well as agreed investments for which funds are committed but not yet disbursed³³ at the end of a given fiscal year, as eligible investments for the purpose of calculating the investment requirement applicable to it, not exceeding the proportion of its interest in Desjardins Capital PME S.E.C.

For greater clarity, these eligible investments may be considered to have been made in entities situated in the resource regions of Québec, if that is the case.

These amendments will apply to a fiscal year of Capital régional et coopératif Desjardins beginning after December 31, 2017.

6. HARMONIZATION WITH VARIOUS MEASURES ANNOUNCED IN THE DEPARTMENT OF FINANCE CANADA NEWS RELEASE OF OCTOBER 24, 2017

On October 24, 2017, the Minister of Finance of Canada presented the federal government's Fall Economic Statement. On that occasion, he tabled a notice of ways and means motion to amend the *Income Tax Act*, in order to increase the Canada Child Benefit and lower the small business tax rate.³⁴

³² As set forth in subparagraph 5 of the fifth paragraph of section 19 of the *Act constituting Capital régional et coopératif Desjardins*, investments made through the limited partnership must entail no security or hypothec and must be made in eligible entities.

³³ These investments will be included in the calculation of the authorized limit of 12% applicable to non-disbursed investments.

³⁴ Department of Finance Canada, News Release 2017-103, "Doubling Down on Progress for the Middle Class," October 24, 2017.

Québec tax legislation will be amended to incorporate, with adaptations based on its general principles, the measure pertaining to the gross-up factor of non-eligible dividends.³⁵ This change to the Québec tax system will be adopted only following assent to any federal statute implementing this measure, taking into account technical amendments that may be made prior to assent. For greater clarity, this amendment will apply on the same date as that retained for the purposes of the federal measure with which it is harmonized.

However, the measures pertaining to the indexation of the Canada Child Benefit, the change to the tax credit rate applicable to non-eligible dividends and the increase in the rate of the small business deduction were not retained, because they are out of step with the characteristics of the Québec tax system, or because the Québec tax system is satisfactory or has no corresponding provisions.

For greater clarity, the rate of the tax credit applicable to non-eligible dividends remains unchanged for the purposes of the Québec tax system.³⁶

7. HARMONIZATION WITH CERTAIN MEASURES IN *BUDGET IMPLEMENTATION ACT, 2017, No. 2*

On December 14, 2017, *Budget Implementation Act, 2017, No. 2* received assent.³⁷ This statute serves primarily to implement certain fiscal measures proposed in the budget of March 22, 2017 and in the legislative proposals made public by the Department of Finance Canada on May 5, 2017.³⁸

Québec's position on the amendments to the federal tax legislation and regulations was made public, after this statute was assented to, in information bulletins 2017-6,³⁹ 2017-8⁴⁰ and 2017-12.⁴¹ Among other things, it was announced, in the first of these information bulletins, that the Québec tax legislation would be amended to incorporate, on the basis of its general principles, the budget resolutions relating to the addition of nurse practitioners to the list of medical practitioners authorized to issue certifications for the purposes of the tax credit for severe and prolonged impairment in physical or mental functions.⁴²

³⁵ For greater clarity, the gross-up factor of non-eligible dividends, currently 17%, will be reduced to 16% for the 2018 taxation year and to 15% for 2019 and subsequent taxation years.

³⁶ For 2018 and 2019, these rates will be 8.178% and 8.1075%, respectively, of non-eligible dividends, that is, 7.05% of grossed-up non-eligible dividends.

³⁷ S.C. 2017, c. 33. The full title of this statute is *A second Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures*.

³⁸ Department of Finance Canada, News Release 2017-038, "Government Proposes Tax Relief for Farmers and Fishers Supplying Cooperatives," May 5, 2017.

³⁹ Ministère des Finances du Québec, *Information Bulletin 2017-6*, April 28, 2017, pp. 3-6.

⁴⁰ Ministère des Finances du Québec, *Information Bulletin 2017-8*, July 13, 2017, p. 9.

⁴¹ Ministère des Finances du Québec, *Information Bulletin 2017-12*, December 6, 2017.

⁴² These are budget resolutions 1 and 2 of the Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on March 22, 2017. These measures were incorporated into the federal tax legislation after the *Act to implement certain provisions of the budget tabled in Parliament on March 22, 2017 and other measures* (L.C. 2017, c. 20) was assented to.

However, *Budget Implementation Act, 2017, No. 2* makes new amendments to the federal tax legislation and regulations, in order to add nurse practitioners to the list of professionals empowered for the purposes of other fiscal measures. Given that, in general, the Québec tax system is harmonized with the federal tax system regarding the recognition of health professionals for the purposes of the fiscal measures under both systems, the *Taxation Act* will be amended to incorporate, with adaptations based on its general principles, the measures recognizing nurse practitioners with respect to certain medical expenses for the purposes of the medical expense tax credit⁴³ and with respect to certain certifications provided for in the rules governing registered disability savings plans.⁴⁴ These amendments will apply on the same date as that retained for the purposes of the federal measures with which they are harmonized, that is, with expenses incurred or certifications made, as the case may be, after September 7, 2017. The other amendments made in *Budget Implementation Act, 2017, No. 2* with respect to nurse practitioners will not be retained for the purposes of the Québec tax system, because they are out of step with the characteristics of the Québec tax system or because the latter has no corresponding provisions.⁴⁵

⁴³ Subsections 44(1) to (3) of *Budget Implementation Act, 2017, No. 2*.

⁴⁴ Subsections 58(5) and (7) of the *Budget Implementation Act, 2017, No. 2*. The amendment provided in subsection 58(11) of that Act will be retained for the purposes of Québec's tax system although it requires no legislative or regulatory amendments.

⁴⁵ The amendments provided in sections 18, 45, 101 and 103, and in subsection 102(3), of the *Budget Implementation Act, 2017, No. 2*.