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TAX CREDIT FOR THE RESTORATION OF SECONDARY RESIDENCES DAMAGED  
BY FLOODING THAT OCCURRED IN QUÉBEC MUNICIPALITIES  
FROM APRIL 5 TO MAY 16, 2017

This information bulletin details the terms of application of a new refundable tax credit for the restoration of secondary residences (cottages) damaged by the severe flooding that hit a number of Québec municipalities from April 5 to May 16, 2017.

This tax credit, which may be up to \$18 000, will be intended for individuals who have a contractor carry out post-disaster clean-up work, preservation work and repair work necessary to restore a site to its former state.

For information about this new tax credit, interested persons may call Revenu Québec at 514 864-6299 (Montréal region), at 418 659-6299 (Québec region), and toll-free at 1 800 267-6299 (elsewhere in Québec). They may also visit the Revenu Québec website, at [www.revenuquebec.ca](http://www.revenuquebec.ca).

The English and French versions of this bulletin are available on the Ministère des Finances website at [www.finances.gouv.qc.ca](http://www.finances.gouv.qc.ca).

## **INTRODUCTION OF A REFUNDABLE TAX CREDIT FOR THE RESTORATION OF SECONDARY RESIDENCES DAMAGED BY FLOODING THAT OCCURRED IN QUÉBEC MUNICIPALITIES FROM APRIL 5 TO MAY 16, 2017**

Under the *Civil Protection Act*, the government may establish special compensation or financial assistance programs to meet specific needs arising from a particular disaster, from another event that compromises human safety or from the imminence of such a disaster or event.

To meet the specific needs arising from flooding that occurred in a number of Québec municipalities from April 5 to May 16, 2017 because of heavy rains that considerably raised water levels, which were already high following the spring thaw, the government has established a special financial assistance program relating to the flooding.

The purpose of this special financial assistance program is to support, in particular, municipalities and their residents and businesses affected by the flooding. It constitutes last-resort financial assistance aimed at repairing certain damage to principal residences, essential property of businesses and essential municipal infrastructure that are not fully insurable.

Secondary residences (cottages) damaged by flooding that occurred from April 5 to May 16, 2017 are not covered by this program, because they are not considered essential. However, given the exceptional nature of the situation, a refundable tax credit of up to \$18 000 will be introduced to help individuals have work carried out that is essential to the restoration of their secondary residence, which many of them saved for years to acquire.

This tax credit, which will have two components, will be for intended for owner-occupants of a secondary residence suitable for year-round occupancy who have a contractor carry out site restoration work made necessary by flooding in a territory covered by the Special Financial Assistance Program Relating to Flooding That Occurred in Québec Municipalities from April 5 to May 16, 2017, hereinafter the “Program Relating to Flooding from April 5 to May 16, 2017.”

The first component of the tax credit will grant financial assistance of up to \$3 000 and correspond to 30% of clean-up and preservation expenditures, exceeding \$500, paid during 2017 for the carrying out of recognized post-disaster clean-up work (emergency work) or recognized preservation work (temporary work).

The second component of the tax credit will grant financial assistance of up to \$15 000 and correspond to 30% of repair expenditures paid before January 1, 2019 for the carrying out, by a qualified contractor, of recognized work to repair damage attributed by an expert in damage assessment to flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017.

## □ Eligibility for the tax credit

Only an individual who resides in Québec at the end of December 31 of a particular taxation year before the 2019 taxation year may claim, for that year, a refundable tax credit for the carrying out of recognized site restoration work in relation to a particular eligible dwelling owned by the individual.

For greater clarity, for the purposes of the tax credit, an individual who dies or ceases to be resident in Canada in a particular taxation year will be deemed to be resident in Québec at the end of December 31 of that year, if the individual was resident in Québec immediately before dying or on the last day the individual was resident in Canada, as the case may be.

However, to claim the tax credit for a particular taxation year, an individual must have obtained from the Ministère de la Sécurité publique or from the municipality in which the eligible dwelling is located a certificate confirming that the land subjacent to the eligible dwelling was hit by flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017.

In addition, the individual must enclose, with his or her tax return for the year, an information return, using the prescribed form, indicating, among other things, the description of the damage caused by the flooding, the contact information of the expert in damage assessment once the expenditures for recognized repair work have been paid, the description and cost of the work carried out, the registration number assigned under the *Act respecting the Québec sales tax* to the contractor having carried out the work or, failing such a number, the contractor's business number or social insurance number and, if applicable, the number of the licence number to the contractor.

Supporting documents (certificate of disaster, damage assessment report, contractor's bid, invoices, etc.) must be kept for the purposes of subsequent audit by Revenu Québec, in accordance with the rules for preserving supporting documents, relative to an application for tax relief, established by the *Tax Administration Act*.<sup>1</sup>

## □ Determination of the tax credit

The refundable tax credit that may be claimed by an individual for a particular taxation year in relation to a particular eligible dwelling owned by the individual will be equal to:

- where the particular taxation year is the 2017 taxation year, the total of the following amounts:
  - the lesser of \$3 000 and 30% of the amount by which the aggregate of the individual's qualified clean-up and preservation expenditures for the year in relation to the eligible dwelling exceeds \$500,
  - the lesser of \$15 000 and 30% of the aggregate of the individual's qualified repair expenditures for the year in relation to the eligible dwelling;

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<sup>1</sup> In accordance with the rules established, supporting documents concerning tax relief must generally be preserved for six years after the last year to which they relate.

- where the particular taxation year is the 2018 taxation year, the lesser of 30% of the aggregate of the individual's qualified repair expenditures for the year in relation to the eligible dwelling and the amount by which \$15 000 exceeds the aggregate of the amounts that, in relation to the eligible dwelling, are obtained for the purposes of the tax credit for the 2017 taxation year by the individual or by any other person with whom the individual owned the eligible dwelling for qualified repair expenditures.

Where, for a particular taxation year, more than one individual may claim the tax credit in relation to the same eligible dwelling that they jointly own, the total of the amounts indicated by each of them in their tax return must not exceed the amount that would be allowed if only one of them were entitled to the tax credit for the year. If there is no agreement among the individuals, the Minister of Revenue will determine the amount that each of them may claim.

### **□ Eligible dwelling**

For the purposes of the tax credit, a particular eligible dwelling of an individual will mean a dwelling, other than an excluded dwelling, damaged by flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017,<sup>2</sup> and of which the individual is the owner (or co-owner) at the time of the disaster and at the time the expenditures attributable to the carrying out of recognized site restoration work are incurred, where, at each of these times, or immediately before the time of the disaster if the dwelling has become inhabitable because of the damage it sustained, the dwelling is suitable for year-round occupancy and is normally occupied by the individual.

In this regard, an individual's dwelling will be considered an excluded dwelling in the following cases:

- it is eligible, as a principal residence, for the Program Relating to Flooding from April 5 to May 16, 2017;
- before the carrying out of recognized site restoration work begins, it is the subject of:
  - a notice of expropriation or a notice of intention to expropriate,
  - a reserve for public purposes, or
  - a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question.

### **□ Recognized site restoration work**

For the purposes of the tax credit, recognized site restoration work will include recognized post-disaster clean-up work, recognized preservation work and recognized repair work.

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<sup>2</sup> In this regard, damage sustained due to flooding by an incidental structure of the dwelling (for example, a detached garage, a shed, a patio or a balcony), by exterior landscaping work (for example, driveways, walkways and fences) or by the land subjacent to the dwelling or the landscaping will be considered to have been sustained by the dwelling.

The various types of site restoration work in relation to an individual's eligible dwelling will be recognized only if the carrying out of the work is awarded to a contractor by the individual<sup>3</sup> or by a person who, at the time the agreement is entered into, is the individual's spouse, another owner of the dwelling or the spouse of the other owner. At the time the agreement is entered into, the contractor must be a person or a partnership that has an establishment in Québec, other than a person who is an owner of the dwelling or who is the spouse of one of the owners of the dwelling.

In addition, where the carrying out of such work requires a licence issued under the *Building Act*, the contractor having been awarded the carrying out of the work must, at the time of carrying it out, hold an appropriate licence issued, as the case may be, by the Régie du bâtiment du Québec, the Corporation des maîtres électriciens du Québec or the Corporation des maîtres mécaniciens en tuyauterie du Québec and, if applicable, hold the licence security.

Moreover, the work must be carried out in compliance with federal, provincial and municipal regulations and by-laws and the policies that apply according to the type of intervention.

#### ■ **Recognized post-disaster clean-up work and recognized preservation work**

Recognized post-disaster clean-up work will include water pumping, demolition of certain dwelling components, waste disposal, site clean-up, disinfection, extermination and decontamination, and site drying and dehumidification.

Recognized preservation work will mean work necessary to temporarily restore electrical service to a dwelling, reinstall minimum insulation and seal openings in the dwelling to make it habitable prior to the carrying out of permanent work to repair damage caused by flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017.

#### ■ **Recognized repair work**

To be recognized, repair work must be carried out on the dwelling components specified in the appendix to this information bulletin for the purpose of repairing damage sustained by an individual's eligible dwelling<sup>4</sup> that an expert in damage assessment attributes to flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017.

Briefly, dwelling components will include a dwelling's envelope and interior structures, including the electrical system and plumbing, and exterior landscaping work.

Work that may be carried out to repair damage sustained by an eligible dwelling due to flooding will include the replacement of irreparable property specified in the appendix.

Moreover, if an individual's eligible dwelling is damaged to such an extent that it is preferable to rebuild it, the work to rebuild the dwelling that is attributable to one of the components specified in the appendix will be considered to have been carried out to repair the damage sustained by the eligible dwelling.

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<sup>3</sup> For the purposes of this measure, where the individual's eligible dwelling is located in an immovable under divided co-ownership, the service agreement may be entered into by the immovable's syndicate of co-owners.

<sup>4</sup> See note 2.

## ☐ Qualified expenditures

### ■ Qualified clean-up and preservation expenditures

An individual's qualified clean-up and preservation expenditures for the 2017 taxation year in relation to a particular eligible dwelling of the individual will be equal to the aggregate of the amounts each of which is an expenditure attributable to the carrying out of recognized post-disaster clean-up work or recognized preservation work in relation to the dwelling, provided the expenditure is not considered an excluded expenditure and is paid in the year by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the expenditure is paid or by any other individual who, at the time the expenditure is incurred, owns the eligible dwelling jointly with the individual.

### ■ Qualified repair expenditures

An individual's qualified repair expenditures for a particular taxation year in relation to a particular eligible dwelling of the individual will be equal to the aggregate of the amounts each of which is an expenditure attributable to damage assessment services provided by an expert in damage assessment<sup>5</sup> or to the carrying out of recognized repair work in relation to the dwelling, provided the expenditure is not considered an excluded expenditure and is paid in the year by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the expenditure is paid or by any other individual who, at the time the expenditure is incurred, owns the eligible dwelling jointly with the individual.

However, for the purpose of calculating an individual's qualified repair expenditures for a particular taxation year in relation to a particular eligible dwelling of the individual, the aggregate of the amounts each of which is an expenditure attributable to recognized repair work concerning the components specified in points 14 to 16 of the appendix (namely, work on incidental structures of the dwelling and landscaping work) that may be taken into account must not exceed:

- for the 2017 taxation year, \$5 000;
- for the 2018 taxation year, an amount equal to the amount by which \$5 000 exceeds the amount taken into account in this regard for the 2017 taxation year.<sup>6</sup>

### ■ Expenditures attributable to the carrying out of recognized site restoration work

Expenditures attributable to the carrying out of recognized post-disaster clean-up work, recognized preservation work or recognized repair work, as the case may be, in regard to an individual's eligible dwelling will correspond to:

- the cost of permits necessary to carry out the work, including the cost of studies carried out to obtain such permits;

<sup>5</sup> Including, as applicable, the related goods and services tax and Québec sales tax.

<sup>6</sup> For greater clarity, the \$5 000 limit will also apply to the aggregate of the expenditures attributable to such work paid by the syndicate of co-owners of an immovable under divided co-ownership during the 2017 and 2018 taxation years.

- the cost of services provided by the contractor to carry out the work, including, as applicable, the related goods and services tax and Québec sales tax;
- the cost of movable property that is used in the carrying out of the work, including, as applicable, the related goods and services tax and Québec sales tax, provided the movable property is acquired after the flooding started, from the contractor or a merchant holding a registration number assigned under the *Act respecting the Québec sales tax*.<sup>7</sup>

### ■ Excluded expenditures

An excluded expenditure for a year will mean any portion of an individual's expenditure that is:

- used to finance the cost of services provided by an expert in damage assessment or of recognized site restoration work;
- attributable to goods or services supplied by a person not at arm's length with the individual or one of the other owners of the individual's eligible dwelling, unless the person holds a registration number assigned under the *Act respecting the Québec sales tax*;
- incurred to acquire property used by the individual before the acquisition under a contract of lease;
- deductible in calculating a taxpayer's income from a business or property for the year or any other year;
- included in the capital cost of depreciable property;
- included for the purpose of calculating costs or expenditures giving rise to another tax credit<sup>8</sup> claimed by the individual or another person in a tax return filed under Québec's legislation for the year or any other year.

### ■ Breakdown of expenditures

If a service agreement concerns both recognized repair work and other recognized work (post-disaster clean-up or preservation), the contractor must give the individual a written statement showing the cost breakdown between recognized repair work and other recognized work.

Similarly, if the service agreement does not concern solely recognized site restoration work, the contractor must give the individual a written statement showing the breakdown of the cost of goods and services supplied by the contractor for the different types of work carried out.

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<sup>7</sup> In this regard, a merchant will be deemed to hold a registration number assigned under the *Act respecting the Québec sales tax* if the merchant, being a small supplier within the meaning of section 1 of that Act, is not a registrant for the purposes of the Act.

<sup>8</sup> For example, the RénoVert tax credit and the refundable tax credit for the upgrading of residential waste water treatment systems.

Moreover, if an individual's eligible dwelling is located in an immovable under divided co-ownership, the individual's qualified expenditures will include any expenditure paid by the syndicate of co-owners, up to the individual's share of the expenditure, where:

- the expenditure would be a qualified expenditure of the syndicate of co-owners if the syndicate were an individual and the immovable, an eligible dwelling of the individual; and
- the syndicate of co-owners provides to the individual, on the prescribed form, the information concerning the services provided by an expert in damage assessment and the recognized site restoration work, as well as the amount of the individual's share of the expenditure.

#### ■ Reimbursement or other form of assistance

For the purposes of the tax credit, an individual's qualified expenditures for a particular taxation year must be reduced by, as the case may be, the amount of any government assistance, non-government assistance, reimbursement or other form of assistance, including an indemnity paid under an insurance contract that the individual or any other person, other than the person acting as a contractor under the service agreement under which the expenditures are incurred, has received or is entitled to receive in respect of an expenditure attributable to the carrying out of recognized site restoration work or to damage assessment services provided by an expert in damage assessment, except to the extent that, where the particular taxation year is the 2018 taxation year, the amount has reduced the individual's qualified expenditures for the 2017 taxation year.

#### □ Advance payments of the tax credit

On application by an individual who believes that he or she is entitled to the refundable tax credit for a particular taxation year, the Minister of Revenue may pay the tax credit in advance if he is satisfied that the following conditions are met:

- the individual is resident in Québec at the time of the application;
- the individual owns an eligible dwelling;
- the individual obtained from the Ministère de la Sécurité publique or from the municipality in which the eligible dwelling is located a certificate confirming that the land adjacent to the eligible dwelling was hit by flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017;
- the individual has a report by an expert in damage assessment describing the damage sustained by the eligible dwelling due to flooding that occurred in a territory covered by the Program Relating to Flooding from April 5 to May 16, 2017, where the application for advance payments concerns qualified repair expenditures;
- the individual or the individual's spouse paid qualified expenditures for the purposes of the tax credit and filed a receipt confirming their payment;



- the individual consents to the direct deposit of the advance payments in a bank account held in a financial institution whose name appears in Part I of Appendix I to Rule D4, Institution Numbers and Clearing Agency/Representative Arrangements of the CPA (Canadian Payments Association – Payments Canada) Rules Manual.

The application for advance payments of the tax credit must be made on a prescribed form and include all documents and information deemed necessary by the Minister for his assessment.

For a particular taxation year, the application must be made not later than December 1 of that year.

Where, at the time of the application, an individual is the spouse of a person who believes that he or she is also entitled to the tax credit for the year, only one of them may submit an application for advance payments to the Minister.

The Minister of Revenue may decline to act on the application of an individual to obtain, for 2018, advance payments of the tax credit if the individual or the individual's spouse, as the case may be, received advance payments of the tax credit for 2017 and has still not filed, at the time of processing the application, his or her tax return for 2017 despite the fact that the time limit for filing the return has expired.

In addition, the Minister may cease to make advance payments to an individual, suspend such payments or reduce their amount where information or documents brought to his attention so warrant.

Moreover, an individual will be required to pay, for a particular taxation year, income tax equal to the aggregate of the amounts received for that year as advance payments of the tax credit.

The income tax will be payable not later than April 30 of the year following the particular taxation year, unless the individual died after October 31 of the particular taxation year and before May 1 of the following year, in which case the income tax will be payable not later than the day that is six months after the individual's death.

In addition, where, for a particular taxation year, the Minister of Revenue pays an amount as advance payments of the tax credit to the individual, the individual and the person who, for the year, is the individual's eligible spouse will be solidarily liable for the payment of the related income tax on receipt of the amount.

## APPENDIX

### TABLE

#### **List of eligible dwelling components on which recognized repair work may be carried out**

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- 1. Structure and concrete**  
Foundations, footings, support beams, loadbearing walls, concrete slabs, dry wells, framing, carports and garages forming part of the structure of a dwelling, and basement entryways.
- 2. Exterior walls**  
Exterior cladding and chimneys.
- 3. Roofs**  
Roofing materials.
- 4. Openings**  
Exterior doors, including doors of garages forming an integral part of the structure of a dwelling, and windows.
- 5. Insulation**  
Structure, wall, ceiling and subfloor insulation.
- 6. Electricity**  
Electrical lead, systems and connectors.
- 7. Plumbing**  
Pipes, sewer connections, water connections and sanitary devices.
- 8. Floors**  
Subfloors and fixed floor coverings.
- 9. Interior walls and ceilings**  
Gypsum board, plaster and paint on walls and ceilings, baseboards, ceiling mouldings and interior doors.
- 10. Bathroom cabinets and sinks**  
Counters, drawers, shelves, cabinets and panels.
- 11. Interior stairways**  
Stringers, runners, risers and handrails.
- 12. Heating and ventilation**  
Main and secondary heating systems (especially wood stoves), including conduits, firewood, air exchangers and their conduits, natural gas connections and tanks.
- 13. Equipment**  
Pumps and wet wells, septic tanks, leaching beds, drinking water supply systems, drinking water filtration and treatment systems, hot water tanks and equipment for disabled persons.

TABLE (cont.)

**List of eligible dwelling components on which recognized repair work may be carried out**

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**14. Incidental structures of a dwelling<sup>(1)</sup>**

Detached garages, sheds, porches, balconies, decks, patios and terraces.

**15. Landscaping work<sup>(1)</sup>**

Driveways, walkways, fences, walls and slabs on ground.

**16. Other landscaping work<sup>(1)</sup>**

The portion of the land that may reasonably be considered as facilitating the use and enjoyment of the dwelling, trees and hedges.

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(1) Any portion of expenditures exceeding the first \$5 000 that is paid in relation to an eligible dwelling during the 2017 and 2018 taxation years for recognized repair work concerning the components specified in points 14 to 16 may not be taken into account in calculating qualified repair expenditures.