This information bulletin makes public the changes that will be made to certain measures relating to individuals, businesses or other entities.

To that end, it details the amendments that will be made to the tax legislation to enable eligible members of a partnership that holds one or more taxi owner’s permits to claim the tax credit for holders of such permits, and those that will be made to broaden qualification for the increase determined by public financial assistance, which may be combined with the tax credit for Québec film or television production.

It also states the position of the Ministère des Finances regarding the measures proposed by the federal government to grant a tax exemption to members of the Canadian Forces, and police officers, participating in a deployed international operational mission, and those proposed to ensure that qualifying farmers and fishers selling to cooperatives are entitled to the small business deduction in respect of income from such sales.

In addition, it sets out the clarifications that will be made to the Act respecting duties on transfers of immovables, in particular with respect to the notices of disclosure required under that Act.

Lastly, it confirms the cessation of the payment to Ville de Montréal of compensation for the elimination of the duties on amusements.

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.

The English and French versions of this bulletin are available on the Ministère des Finances website at www.finances.gouv.qc.ca.
CHANGES MADE TO VARIOUS MEASURES OF A FISCAL NATURE

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1. POSSIBILITY FOR MEMBERS OF A PARTNERSHIP TO CLAIM THE TAX CREDIT FOR HOLDERS OF A TAXI OWNER’S PERMIT

To help the taxi industry, the tax system grants a refundable tax credit to taxpayers who hold a taxi driver’s permit and to those who hold one or more taxi owner’s permits.

Briefly, an individual who holds a taxi driver’s permit during a particular taxation year may claim, for that taxation year, a refundable tax credit of up to $569, unless the individual assumed all or almost all of the fuel cost of bringing into service any motor vehicle attached to at least one of those taxi owner’s permits of which the individual was the holder at the end of the year.

A taxpayer who holds one or more taxi owner’s permits on December 31 of a calendar year in a particular taxation year may claim, for that taxation year, a refundable tax credit of up to an amount equal to the product obtained by multiplying $569 by the number of taxi owner’s permit of which the taxpayer was the holder on December 31 of the calendar year, and in respect of which the taxpayer assumed, during the particular taxation year, all or almost all of the fuel cost of bringing into service any motor vehicle attached to the permit or permits.

However, the refundable tax credit that may be claimed by a taxpayer who holds a taxi driver’s permit or a taxi owner’s permit may not exceed, for a particular taxation year, an amount equal to 2% of the aggregate of the taxpayer’s gross income for the taxation year from employment as a taxi driver, from the taxpayer’s business of providing transportation by taxi and from the leasing of any motor vehicle attached to a taxi owner’s permit of which the taxpayer is the holder.

For the purposes of these tax credits, the holder of a taxi owner’s permit is the person in whose name the taxi owner’s permit is issued by the Commission des transports du Québec or, where such a permit is issued in the name of two or more persons, the person among them whom they designate.

However, while a taxi owner’s permit may, in accordance with the Taxi Transportation Regulation, be issued to a partnership, there is no provision in the existing tax legislation that allows members of such a partnership to claim the tax credit for holders of a taxi owner’s permit.

Consequently, to improve the fairness and neutrality of the measures implemented to help taxi owners, the tax legislation will be amended to also allow members of a partnership that holds one or more taxi owner’s permits to claim the tax credit for holders of a taxi owner’s permit, subject to certain conditions.

In such a case, eligibility for the tax credit will be determined with reference to the partnership, and its eligible members will be able to claim, based on their respective shares in the partnership’s income or loss, the tax credit otherwise determined.

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1 The amount of $569 used to calculate the refundable tax credit for holders of a taxi driver’s permit and the refundable tax credit for holders of a taxi owner’s permit is automatically indexed each year.
More specifically, where, on December 31 of a calendar year in a fiscal period, a partnership holds one or more taxi owner’s permits in force and, during the fiscal period, assumes all or almost all of the fuel cost of bringing into service any motor vehicle attached to each of those permits, each taxpayer, other than an excluded taxpayer, who is a member of the partnership at the end of the fiscal period will be entitled to, for the taxpayer’s taxation year in which the partnership’s fiscal period ends, a refundable tax credit equal to the taxpayer’s share, for the fiscal period, of the lesser of the following amounts:

— an amount equal to the product obtained by multiplying $569\(^2\) by the number of such permits of which the partnership is the holder on December 31 of the calendar year in the fiscal period;

— an amount equal to 2% of the aggregate of the following amounts:
  
  — the partnership’s gross income for the fiscal period from its business of providing transportation by taxi,
  
  — the partnership’s gross income for the fiscal period from the leasing of any motor vehicle attached to a taxi owner’s permit of which the partnership is the holder.

In this regard, the share of a member of a partnership for a fiscal period of the partnership will mean the proportion that the member’s share of the income or loss of the partnership for the partnership’s fiscal period is of the partnership’s income or loss for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to $1 000 000.

For the purposes of this new measure, a taxpayer will be an excluded taxpayer where, for the taxpayer’s taxation year in which the partnership’s fiscal period ends, the taxpayer is in one of the following situations:

— the taxpayer is a person exempt from tax under Book VIII of Part I of the Taxation Act;

— the taxpayer is not resident in Québec at the end of the taxation year, where the taxpayer is an individual;\(^3\)

— the taxpayer does not have an establishment in Québec at any time in the taxation year, where the taxpayer is a corporation.

In addition, to ensure the integrity of the measure, an individual will be an excluded taxpayer where, for the individual’s taxation year ending on December 31 of the calendar year in the partnership’s fiscal period, the individual claimed the refundable tax credit for holders of a taxi driver’s permit.

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\(^2\) For greater clarity, this amount will be automatically indexed each year.

\(^3\) For the purposes of this condition, 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.
Moreover, to take into account the possibility of the interposition of one or more partnerships between a taxpayer and the partnership that holds a taxi owner’s permit, rules will be introduced so that a taxpayer may claim the tax credit to which the taxpayer would have been entitled if the taxpayer had been directly a member of the partnership.

The amendments that will be made to the Taxation Act to implement this new measure will apply as of the 2017 taxation year. They will also apply to any taxation year of a taxpayer for which the Minister of Revenue may, on the date of publication of this information bulletin, determine or redetermine the amount of tax deemed to have been paid on account of the taxpayer's tax payable for that taxation year.

However, where the measure is applied with reference to a partnership that held a taxi owner's permit on December 31 of a particular calendar year before 2017, the amount of $569 used to determine the amount of the tax credit that may be attributed to the members of the partnership must be replaced by the amount that would have been used to calculate the tax credit for holders of a taxi owner's permit if, on December 31 of the particular calendar year, the partnership had been a corporation.

2. **Easing of the increase determined by public financial assistance of the refundable tax credit for Québec film or television production**

In general, the refundable tax credit for Québec film or television production applies to the labour expenditure incurred by a qualified corporation that produces a Québec film in respect of which the Société de développement des entreprises culturelles (SODEC) issued a certificate recognizing the film referred to in it as a qualified Québec film or television production.

The tax credit is equal to 40% or 32% of the qualified labour expenditure incurred to produce the film, in the case of a production that is not adapted from a foreign format, and to 36% or 28% of such an expenditure, in the case of a production that is adapted from a foreign format (hereinafter, "base rates").

The 40% and 36% base rates apply to the production of certain feature-length, medium-length or short films, certain productions intended for minors and certain documentaries, provided they are in French; this also applies to giant-screen films, regardless of the language.

The 32% and 28% base rates apply to the production of other eligible classes of films.

In all cases, the labour expenditure giving entitlement to the tax credit may not exceed 50% of the film's production costs.

Furthermore, certain types of labour expenditures may give entitlement to three specific increases, including the increase determined by public financial assistance.
This increase replaces the former increase for a production that has not received any financial assistance from a public body (hereinafter, “increase for no public financial assistance”). The changes to the latter increase, announced at the time of the March 28, 2017 budget speech, became necessary because, in the case of certain productions that include computer-aided special effects and animation, the assistance under the refundable tax credit for film production services could exceed that available under the refundable tax credit for Québec film or television production, despite the latter tax credit’s advantage with respect to the calculation rules associated with excluded amounts of assistance.\(^4\)

To render comparable the tax benefits resulting from the application of one or the other tax credit and thus foster the production of Québec content, the increase for no public financial assistance was therefore modified substantially both as to its rate and its application.

The increase determined by public financial assistance is available in respect of a qualified production that receives financial assistance from a public body, but is reduced linearly and is determined by the following formula:

\[
16\% \times \frac{(32\% - A)}{32\%}
\]

In this formula, \(A\) represents the proportion determined by the ratio between the total financial assistance from a public body in respect of the qualified production and the total production costs attributable to the production and calculated in accordance with the tax legislation.

Consequently, where the proportion represented by \(A\) equals 32% or more, the rate of the increase determined by public financial assistance will be nil.

The classes of qualified productions for the purposes of the increase for no public financial assistance remain unchanged. For the purposes of the increase determined by public financial assistance, “qualified production” refers to:

- a production that is a feature-length fiction film with a minimum running length of 75 minutes;
- a series or a miniseries each episode of which is a fiction production with a minimum running length of 75 minutes;
- a one-off documentary with a minimum running length of 30 minutes and a documentary intended for minors, which may have a shorter running length;

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In addition, an amount of financial assistance from a public body continues to refer to financial assistance recognized in the tax legislation as an excluded amount of assistance for the purposes of the rules relating to government or non-government assistance in the calculation of the refundable tax credit for Québec film or television production.\(^5\)

However, despite these recent changes, certain classes of animation productions still do not qualify, because their running length is too short. Consequently, to further stimulate the development of Québec animation productions, the terms and conditions governing the qualification of a series or miniseries composed of animation productions will be eased for the purposes of the increase determined by public financial assistance.

- **Qualified productions**

  The *Act respecting the sectoral parameters of certain fiscal measures* will be amended so that, for the purposes of the increase determined by public financial assistance, “qualified production” refers to:

  1. a production that is a feature-length fiction film with a minimum running length of 75 minutes;

  2. a series or a miniseries, other than that referred to in paragraph 3, each episode of which is a fiction production with a minimum running length of 75 minutes;

  3. a series or a miniseries each episode of which is a fiction production that is an animation production, where the minimum running length of the series or miniseries is 75 minutes;

  4. a one-off documentary with a minimum running length of 30 minutes and a documentary intended for minors, which may have a shorter running length.

- **Application date**

  These amendments will apply to a film or television production for which an application for an advance ruling, or an application for a certificate if no application for an advance ruling was previously filed for the production, is submitted to SODEC after March 28, 2017.

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\(^5\) For example, an amount of financial assistance granted by SODEC, the National Film Board or the Canada Media Fund is an amount of financial assistance from a public body, since each of these sources of funding is recognized as an excluded amount of assistance in the calculation of the tax credit.

An amount of financial assistance from a public body does not include an amount received by a corporation on account of the refundable tax credit for Québec film or television production or on account of the federal Canadian Film or Video Production Tax Credit or the federal Film or Video Production Services Tax Credit; nor does it include the amount of a financial contribution by a public body that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission.
3. HARMONIZATION WITH THE PROPOSED CHANGES TO THE DEDUCTION FOR MEMBERS OF THE CANADIAN FORCES, OR POLICE OFFICERS, PARTICIPATING IN A DEPLOYED INTERNATIONAL OPERATIONAL MISSION

Under the Québec tax system, an individual who participates, as a member of the Canadian Forces, or as a police officer, in a deployed international operational mission recognized to have a certain level of risk may deduct, in the calculation of the individual’s taxable income, the employment income earned on the mission, up to the amount that would have been earned by the individual at that time if the individual had been paid at the maximum rate of pay of non-commissioned members of the Canadian Forces.

This deduction, which was introduced to harmonize with federal tax legislation, is intended to recognize the contribution to peace and security made by members of the Canadian Forces and police forces when they are deployed on international missions having a certain level of risk.

On May 18, 2017, the federal government tabled in the House of Commons a notice of ways and means motion for the purpose of changing the deduction for members of the Canadian Forces, or police officers, serving on a deployed international operational mission, provided for in the IncomeTax Act. The legislative proposals in the notice of ways and means motion provide for the granting of the deduction to all members of the Canadian Forces and to all police officers for the period during which they are on a deployed international operational mission determined by the Department of National Defence, and for the raising of the deduction limit so that it corresponds to the maximum rate of pay that applied, from time to time during the mission, to a lieutenant-colonel of the Canadian Forces.

Given that the Québec tax system is harmonized with the federal tax system regarding the tax relief granted in respect of the employment income earned by a member of the Canadian Forces, or a police officer, while serving on a deployed international operational mission, the Québec tax legislation will be amended to incorporate, with adaptations on the basis of its general principles, the federal proposals in the notice of ways and means motion tabled in the House of Commons on May 18, 2017.

However, the amendments concerning the Québec tax system will be adopted only after Royal assent is received by the federal statute implementing the legislative proposals presented, taking into account the technical amendments that may be made prior to Royal assent. For greater clarity, these amendments will apply on the same date as that retained for the purposes of the legislative proposals with which they harmonize.

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4. **HARMONIZATION WITH THE TAX MEASURE ANNOUNCED IN DEPARTMENT OF FINANCE CANADA’S NEWS RELEASE OF MAY 5, 2017**

At the time of budget 2016, the Minister of Finance of Canada proposed legislative amendments to address certain tax planning involving partnerships or corporations created for the sole purpose of multiplying access to the small business deduction.⁷

On May 6, 2016, the Ministère des Finances announced that Québec tax legislation would be harmonized with the federal tax legislation concerning the new integrity measures respecting the small business deduction.⁸

On May 5, 2017, the Minister of Finance of Canada announced its intention to propose amendments to the *Income Tax Act* to ensure that qualifying farmers and fishers selling farming products or fishing catches to agricultural and fisheries cooperatives are eligible for the small business deduction in respect of income from those sales.⁹

That announcement ensures that recently enacted amendments to the *Income Tax Act* intended to prevent the multiplication of the small business deduction do not inappropriately deny access to the small business deduction for a farmer's or fisher's corporation selling to an arm's-length agricultural or fisheries cooperative.

The amendments would apply for taxation years that begin after March 21, 2016.

Given that the Québec tax system is substantially harmonized with the federal tax system regarding the small business deduction eligibility rules, the Québec tax legislation will be amended to incorporate the legislative proposals made by the Minister of Finance of Canada, adapted on the basis of its general principles.

However, the changes to the Québec tax system will be adopted only following assent to any federal statute implementing the measure announced, taking into account technical amendments that may be made prior to assent. More specifically, these changes will apply on the same date as that retained for the purposes of the federal measure with which they harmonize.

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⁸ [MINISTÈRE DES FINANCES DU QUÉBEC, Information Bulletin 2016-5, May 6, 2016, p. 1 (No. 6)].
5. **AMENDMENTS MADE TO THE ACT RESPECTING DUTIES ON TRANSFERS OF IMMOVABLES**

Following the March 17, 2016 budget speech, various amendments were made to the Act respecting duties on transfers of immovables (hereinafter, the “Act”) to ensure the integrity and fairness of the Act.\(^\text{10}\)

In particular, the following measures were implemented:

- a disclosure mechanism applicable when the deed evidencing the transfer of an immovable is not registered in the land register;
- a disclosure mechanism applicable when the exemption condition concerning the percentage of voting rights\(^\text{11}\) ceases to be met;
- a requirement to maintain the exemption condition concerning the percentage of voting rights for a minimum period of 24 months immediately preceding the date of transfer of an immovable, where the transfer is made by a transferor that is a legal person to a natural person.

However, certain aspects of these amendments can have undesirable consequences. The Act will therefore be amended to:

- eliminate information required for the production of notices of disclosure;
- introduce exceptions to the requirement to produce the notice of disclosure applicable when the exemption condition ceases to be met;
- relax the exemption rule applicable with respect to transfers of an immovable in the context of a succession.

- **Elimination of information required for the production of notices of disclosure**

Currently, for the purposes of the disclosure mechanism specific to the transfer of an immovable not registered in the land register and the disclosure mechanism applicable when the exemption condition concerning the percentage of voting rights ceases to be met, the transferee must provide to the municipality the names of the members of a professional order who have rendered services in the course of the transfer of an immovable.

Considering that this information is not necessarily needed to administer these measures, the requirement to mention it in the relevant notice of disclosure will be repealed.

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\(^\text{10}\) MINISTÈRE DES FINANCES DU QUÉBEC, *The Québec Economic Plan – Additional Information 2016-2017*, March 17, 2016, pp. A.75-A.86. The amendments were made by the *Act to give effect mainly to fiscal measures announced in the Budget Speech delivered on 17 March 2016* (S.Q. 2017, c. 1).

\(^\text{11}\) For greater clarity, in accordance with the exemption condition concerning the percentage of voting rights, ownership of shares of the capital stock of a legal person carries for the owner at least 90% of voting rights that may be exercised under any circumstances at the annual meeting of shareholders of the legal person.
Introduction of exceptions to the requirement to produce the notice of disclosure applicable when the exemption condition ceases to be met

The introduction of a requirement to maintain the exemption condition concerning the percentage of voting rights for a minimum period of 24 months following the date of transfer of an immovable whereby the transferee was exempted from the payment of transfer duties is intended to ensure the integrity of the Act.

However, this requirement can have undesirable consequences when the amalgamation or dissolution of a legal person that is a party to the transfer of an immovable whereby the transferee was exempted from the payment of transfer duties occurs within a period of 24 months following the date of that transfer.

Accordingly, 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 by a transferor who is a natural person to a transferee that is 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 percentage of voting rights that may be exercised by the transferor under any circumstances at the annual meeting of shareholders of the transferee falls below 90% due to:

— the amalgamation of the transferee with one or more legal persons, where at least 90% of the voting rights that may be exercised under any circumstances at the annual meeting of shareholders of the legal person resulting from the amalgamation is the property of the transferor 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 transferee.

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 between two closely related legal persons, 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 parties to the transfer cease to be closely related legal persons due to:

— their amalgamation;

— the amalgamation of 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.
Relaxing of the exemption rule applicable with respect to transfers of an immovable in the context of a succession

The introduction of the requirement to maintain the exemption condition concerning the percentage of voting rights for a minimum period of 24 months immediately preceding the date of transfer of an immovable by a transferor that is a legal person to a transferee who is a natural person is intended to ensure the integrity of the Act.

As with an amalgamation or a dissolution, this requirement can have undesirable consequences in the context of a succession, where the transfer of an immovable is made by a transferor that is a legal person to a transferee who is a natural person.

Accordingly, the Act will be amended so that the requirement to maintain the exemption condition concerning the percentage of voting rights for a minimum period of 24 months immediately preceding the date of transfer of an immovable by a transferor that is a legal person to a transferee who is a natural person will not apply, where the shares of the capital stock of the transferor were transferred to the transferee as a consequence of a death, thus carrying for the transferee at least 90% of the voting rights that may be exercised under any circumstances at the annual meeting of shareholders of the transferor, taking into account any voting rights that may be exercised by the transferee under any circumstances at the transferor’s annual meeting of shareholders at that time.

Application date

These amendments will apply to the transfer of an immovable made after March 17, 2016.

6. CESSATION OF THE PAYMENT TO VILLE DE MONTRÉAL OF COMPENSATION FOR THE ELIMINATION OF THE DUTIES ON AMUSEMENTS

When the Québec sales tax (QST) system was introduced in July 1992, the Québec government eliminated the duties on amusements that certain municipalities had been levying, in order to take over that tax field. To compensate municipalities for the shortfall attributable to the elimination of the duties, the government granted temporary financial assistance to all municipalities, from 1992 to 1996, drawn from QST receipts.

Subsequently, only the cities of Montréal and Québec continued to receive compensation for the loss of that tax field, with the measure later being extended to Ville de Laval as of 2001.

As of 2015, the financial assistance paid annually to these municipalities as compensation for the elimination of the duties on amusements was cut in half and the applicable indexing mechanism was abolished. Accordingly, since 2015, the cities of Montréal, Québec and Laval have received 50% of the amount paid to them in this respect in 2014.

On December 8, 2016, the Gouvernement du Québec and Ville de Montréal entered into a framework agreement entitled “Réflexe Montréal” bearing on the government’s and the city’s commitments respecting recognition of the metropolis’s special status.
Under that agreement, the government committed to replacing certain unconditional grants specific to Ville de Montréal by an annual transfer payment, in order to ensure the continuity of a portion of the unconditional funding granted to Ville de Montréal and adjust it on the basis of economic development. In return, Ville de Montréal will no longer receive compensation for the elimination of the duties on amusements, provided for in the tax legislation, among other amounts.

Consequently, the tax legislation will be amended so that Ville de Montréal is no longer entitled to compensation for the elimination of the duties on amusements as of 2017.

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12 *Act respecting the Québec sales tax, section 388.2.*