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INFORMATION BULLETIN

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TAX MEASURES TO SUPPORT PRINT MEDIA COMPANIES

This information bulletin makes public tax measures aimed at print media companies.

It describes the terms of application of the new refundable tax credit to support print media companies. This refundable tax credit is aimed at corporations that produce and disseminate print media that are recognized as eligible media. The tax assistance will be calculated on the wages of eligible employees and may reach $26 250 per employee.

This information bulletin also announces the one-year extension of the refundable tax credit to support the digital transformation of print media companies.

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.

TAX MEASURES TO SUPPORT PRINT MEDIA COMPANIES

Print media are essential to disseminate quality information of public interest throughout the territory and to support a diversity of ideas, which is needed in a democratic society.

However, the traditional business model of periodicals and daily papers has been significantly affected by the digital revolution.

Over the past few years, the Gouvernement du Québec has implemented various assistance measures to support print media companies. Among other things, the government announced the refundable tax credit to support the digital transformation of print media companies in the March 27, 2018 Québec Economic Plan.[1]

Despite these measures, several print media companies are still facing significant financial difficulties, and the survival of some is at risk.

The government wishes to contribute more to safeguarding Québec print media and maintaining their original written content on general interest news specifically aimed at the Québec population. Consequently, amendments will be made to the tax legislation to introduce a refundable tax credit to support print media companies and to extend for one year the refundable tax credit to support the digital transformation of print media companies.

1. Introduction of a Refundable Tax Credit to Support Print Media Companies

In short, eligible corporations will be able to claim a refundable tax credit at a rate of 35% calculated on qualified wages incurred after December 31, 2018, in respect of employees whose duties relate to the production of original written information content or to the carrying out of information technology activities relating to the production or dissemination of such content. This tax credit may reach $26 250 annually per employee.

A corporation that is a member of an eligible partnership will also be able to claim this refundable tax credit for its share of qualified wages incurred by the eligible partnership.

The terms and conditions of this new refundable tax credit are described below.

❑ Eligible corporation

The tax legislation will be amended so that the expression “eligible corporation” means, for a taxation year, a corporation, other than an excluded corporation, that, in the taxation year, carries on a business in Québec and has an establishment there and that, for that taxation year, holds a qualification certificate issued by Investissement Québec for the purposes of this refundable tax credit.

■ Excluded corporation

The expression “excluded corporation”, for a taxation year, means:

— a corporation that is exempt from income taxes for the year;

[1] Ministère des Finances du Québec, *The Québec Economic Plan – Additional Information 2018-2019,* March 27, 2018, p. A.77 to A.85.

- a Crown corporation or a wholly controlled subsidiary of such a corporation;
- a corporation that, in the taxation year, carries on a broadcasting undertaking within the meaning of the *Broadcasting Act*.[2]

❑ Eligible partnership

The tax legislation will be amended so that the expression “eligible partnership” means, for a fiscal period, a partnership that, in that fiscal period, carries on a business in Québec and has an establishment there and that, for that fiscal period, holds a qualification certificate issued by Investissement Québec for the purposes of this refundable tax credit.

In addition, the partnership must not, in that fiscal period, carry on a broadcasting undertaking within the meaning of the *Broadcasting Act*.[3]

❑ Qualification certificate

The *Act respecting the sectoral parameters of certain fiscal measures* (Sectoral Act) will be amended so that a corporation or partnership must obtain, for a taxation year or fiscal period, as the case may be, a qualification certificate issued by Investissement Québec certifying that, in that taxation year or fiscal period, it has produced and disseminated a print media that is recognized as an eligible media.

The name of this eligible media and the address of the establishment in which the media newsroom is located must be indicated on the qualification certificate.

■ Eligible media

To be recognized as an eligible media, the media must consist in the production and daily or periodic dissemination – by means of a print publication, an information website or a mobile application dedicated to information – of original written information content, which must pertain to general interest news, be specifically intended for the Québec public and cover at least three of the following information topics:

- politics;
- municipal affairs;
- international sector;
- culture;
- business and the economy;
- local interest news;
- miscellaneous news items.

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[2] S.C. 1991, c.11, subsection 2(1).

[3] See previous note.

A periodical media must be produced and disseminated at least ten times a year to be recognized as an eligible media.

The newsroom of that media must be located in an establishment situated in Canada of the corporation or partnership that produces and disseminates it and which brings together journalists responsible for the original written information content. This content may include news reports, profiles or interviews as well as analyzes, columns, investigative reports or editorials.

The following will not constitute original written information content:

- content from a press agency or another media;
- specialized content pertaining to a type of personal, recreational or professional activity and geared specifically towards a group, association or category of persons;
- content for which a compensation is paid by a third party or a partnership;
- content of an advertising or promotional nature, such as an advertorial;
- theme-based content on, for example, hunting and fishing, decoration or science.

In addition, a print media that includes, on an incidental basis, excluded content described above may nevertheless be recognized as an eligible media.

Moreover, in the case of a first application for a qualification certificate submitted to Investissement Québec, a corporation or partnership, as the case may be, must also demonstrate that the eligible media has been produced and disseminated for at least twelve months before the application.

❑ Calculating the refundable tax credit

The tax legislation will be amended so that a corporation, other than an excluded corporation, may benefit, for a taxation year, from a refundable tax credit equal to the product obtained by multiplying, by a rate of 35%, the total of the following amounts:

- where the corporation is an eligible corporation for the taxation year, an amount equal to all amounts representing the qualified wages incurred by the corporation in respect of an eligible employee for the taxation year;
- where the corporation is a member of an eligible partnership at the end of the partnership’s fiscal period that ends in the corporation’s taxation year, an amount equal to the corporation’s share of all amounts representing the qualified wages incurred by the partnership in respect of an eligible employee for the fiscal period ended in the taxation year.

In this regard, a corporation’s share of all amounts representing qualified wages incurred by an eligible partnership of which it is a member, at the end of a fiscal period, will be equal to the agreed proportion, in respect of the corporation for that fiscal period, of all such amounts.[4]

[4] *Taxation Act*, section 1.8. In short, the agreed proportion for a corporation that is a member of a partnership for a fiscal period means the proportion that the corporation’s share of the partnership’s income or loss for the fiscal period is of the partnership’s income or loss for that fiscal period.

❑ Qualified wages

The tax legislation will be amended so that the expression "qualified wages" incurred in respect of an eligible employee by an eligible corporation, for a taxation year, or by an eligible partnership, for a fiscal period, means the lesser of the following amounts:

- the wages that the corporation or partnership incurred after December 31, 2018, for part or all of the taxation year or fiscal period, in respect of the employee who qualified as an eligible employee of the corporation or partnership, as the case may be;
- the product obtained by multiplying $75 000 by the ratio between the number of days in the taxation year or fiscal period in which the employee qualified as an eligible employee of the corporation or partnership, as the case may be, out of 365 days.

However, when the taxation year of the eligible corporation or the fiscal period of the eligible partnership includes January 1, 2019, the qualified wages incurred in respect of an eligible employee, for that taxation year or fiscal period, may not exceed the product obtained by multiplying $75 000 by the ratio between the number of days in the taxation year or the fiscal period after December 31, 2018, during which the employee qualified as an eligible employee of the corporation or partnership, as the case may be, over 365 days.

■ Wages

The wages incurred by an eligible corporation or partnership in respect of an eligible employee for a taxation year or fiscal period, as the case may be, will mean the wages calculated in accordance with the *Taxation Act* and which the corporation or partnership will incur, for that taxation year or fiscal period, in respect of that employee.

The amount of wages incurred in respect of an eligible employee for a taxation year or fiscal period, as the case may be, shall be reduced by the amount of any government or non-government assistance as well as any benefit or advantage attributable to such wages, according to the usual rules.

However, government or non-government assistance will not include an amount deemed to have been paid on account of federal income tax for a taxation year under the refundable labour tax credit granted to qualifying journalism organizations.[5]

❑ Eligible employee

The tax legislation will be amended so that the expression "eligible employee" of an eligible corporation, for a taxation year, or an eligible partnership, for a fiscal period, means an employee of the corporation or partnership, as the case may be, in respect of which Investissement Québec has issued to the corporation or partnership a qualification certificate stating that the employee is an eligible employee for part or all of the taxation year or fiscal period, other than an employee who was excluded at a given period of time during that taxation year or fiscal period.

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5 *Income Tax Act*, subsection 125.6(2).

In order to qualify as an eligible employee, an employee must also report for work at an establishment situated in Québec of the eligible corporation or partnership, in accordance with the usual rules.[6]

In addition, an employee who reports for work at an establishment situated in Canada outside Québec[7] of the eligible corporation or eligible partnership may, subject to the following, qualify as an eligible employee.

Such an employee of an establishment situated in Canada outside Québec will only qualify as an eligible employee for all or part of a taxation year or fiscal period if the number of eligible employees who report for work at an establishment situated in Québec of the eligible corporation, for a taxation year, or the eligible partnership, for a fiscal period, represents 75% or more of the total number of eligible employees of the corporation or the partnership, as the case may be, for the taxation year or fiscal period.

■ Excluded employee

An excluded employee, at a given period of time, means:

- where the employer is a corporation, an employee who, at that time, is a specified shareholder[8] of that corporation or, where that corporation is a cooperative, a specified member of that corporation;
- where the employer is a partnership, an employee who, at that time, is either a member of the partnership or an employee not dealing at arm’s length with the member of the partnership, or a specified shareholder or specified member, as the case may be, of that member.

A specified member, at a given period of time, of a corporation that is a cooperative will mean a member having, directly or indirectly, at that time, at least 10% of the votes at a meeting of the members of the cooperative or a person not dealing at arm’s length with that specified member.

❑ Employee certificate

The Sectoral Act will be amended so that an eligible corporation or partnership must obtain, for a taxation year or fiscal period, as the case may be, a certificate for each employee in respect of whom the refundable tax credit is claimed, in relation to the wages it has incurred for that employee for that taxation year or fiscal period.

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6 For example, an employee who reports for work both at an establishment of the corporation situated in Québec and at another establishment of the corporation situated outside Québec is deemed to report for work at the establishment of the corporation situated in Québec, if the employee does not report for work mainly at the corporation’s establishment situated outside Québec.

7 The applicable rules to determine whether an employee reports to work at an establishment situated in Québec will be modified accordingly and used to determine whether the employee reports to work at an establishment situated in Canada outside Québec.

8 A specified shareholder of a corporation at a given period of time includes a taxpayer who owns, directly or indirectly at that time, 10% or more of the issued shares of any class of the capital stock of the corporation or any other related corporation and a person not dealing at arm’s length with such taxpayer.

A certificate may only be issued in respect of an employee for a taxation year or fiscal period if the employee meets the following conditions for that taxation year or fiscal period:

— the employee worked for the corporation or partnership, as the case may be, at least 26 hours per week, for an expected minimum period of 40 weeks;

— the employee's duties were devoted, for all or part of the taxation year or fiscal period, in a proportion of at least 75%, to directly undertaking or supervising activities relating to the production of original written information content for dissemination purposes in an eligible media of the corporation or partnership, as the case may be, or to the carrying out of information technology activities related to the production or dissemination of such content.

For greater clarity, the production of original written information content will include research, information gathering, fact checking, photography, writing, editing, design and other content-preparation activities.

Similarly, the following will constitute an information technology activity:

— management or operation of computer systems, application or technology infrastructure;

— operation of a customer relations management service;

— management or operation of a marketing information system designed to raise the visibility of the media and promote it to an existing or potential clientele;

— any other activity of a similar nature that could be called a management or operating activity for the purposes of the eligible media.

Furthermore, tasks related to digital conversion activities of a print media[9] and administrative tasks of an individual may not be considered as part of the functions of undertaking or supervising activities related to the production of original written information content or the carrying out of information technology activities. In this regard, administrative tasks include those related to operations management, accounting, finance, legal affairs, public relations, communications, contract prospecting, and human and material resources management.

❑ Other terms and conditions

The tax legislation will be amended so that the refundable tax credit, or part of it, as the case may be, will be recovered by means of a special tax, in accordance with the usual rules, where a certificate issued by Investissement Québec for the purposes of the refundable tax credit is revoked.

[9] These activities are those described in the first and second paragraphs of section 18.12 of Schedule A of the Sectoral Act.

In addition, the Sectoral Act provides for the period during which the request for issuance of a certificate or other sectoral document must be submitted to the sectoral body responsible for administering the sectoral parameters of a refundable tax credit. This period is, in short, the period that ends nine months after the day following the filing due date applicable to the corporation for the taxation year for which the document is requested, or the day following the end date of the fiscal period of the partnership for which the document is requested, as the case may be.[10]

The Sectoral Act will be amended so that, for the purposes of this refundable tax credit, a certificate application must be made no later than the end date of the nine-month period beginning on the day that follows the publication of the information bulletin if the end of that period is later than the one already provided for in the Sectoral Act.

Similarly, the tax legislation stipulates, in short, that a corporation must submit to Revenu Québec, no later than at the end of the twelve-month period that begins on the filing due date applicable to the taxation year for which the corporation is claiming a refundable tax credit, the documents supporting this claim.[11]

The tax legislation will be amended so that, for the purposes of this refundable tax credit, a corporation must submit to Revenu Québec, for a taxation year, the documents supporting the claim for a refundable tax credit no later than at the end of the twelve-month period that begins on the day following the publication of the information bulletin if the end of that period is later than the one already provided for in the tax legislation for that taxation year.

2. EXTENSION OF THE REFUNDABLE TAX CREDIT TO SUPPORT THE DIGITAL TRANSFORMATION OF PRINT MEDIA COMPANIES

In brief, a qualified corporation that, for a taxation year, incurs eligible digital conversion costs, for that taxation year, may benefit from the refundable tax credit to support the digital transformation of print media companies[12] in respect of these costs. This tax credit is calculated at a rate of 35%. Qualified corporations may benefit from tax assistance of up to $7 million for a taxation year.

To be qualified, a corporation must, for a taxation year, carry on a business in Québec and have an establishment there in that taxation year, among other things. The corporation must also hold, for that taxation year, a qualification certificate issued by Investissement Québec certifying that, in that taxation year, it has produced and disseminated on a daily or periodic basis a print or digital information media including original written information content intended specifically for the Québec public, pertaining to general interest news and covering at least three eligible topics such as politics, business and the economy, and the international, cultural or municipal sector. The newsroom of the eligible media must also be situated in Québec.

The tax assistance is granted to an qualified corporation who carries out eligible digital conversion activities for an eligible media, that is, in particular, activities relating to the development of information systems or the integration of technology infrastructure that is directly linked to the initiation or continuation of the eligible media's digital conversion.

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10 Sectoral Act, section 9.1.

11 *Taxation Act*, section 1029.6.0.1.2.

12 A corporation that is a member of a qualified partnership may also, under certain conditions, claim this refundable tax credit in respect of its shares of eligible digital conversion costs incurred by the partnership.

Eligible digital conversion costs of an qualified corporation, for a taxation year, correspond to the total of qualified wages incurred by the corporation in that year in respect to eligible employees and that relate to eligible digital conversion activities, and to all of the corporation's qualified expenditures for that year that are related to an eligible digital conversion contract. A qualified expenditure related to an eligible digital conversion contract, for a taxation year, means 80% of the costs provided for in the contract and which the corporation has incurred that year for the acquisition or lease of qualified property, the supply of eligible services, or a right of use or an eligible licence.

The eligibility period for the refundable tax credit to support the digital transformation of print media companies ends on December 31, 2022.

As a result, only the qualified wages and expenditures incurred before January 1, 2023 may be claimed for the refundable tax credit. In addition, if qualified expenditure relates to the acquisition of qualified property, the property must be acquired before January 1, 2022.

In order to extend by a year the tax assistance granted under the refundable tax credit to support the digital transformation of print media companies, the tax legislation will be amended so that the eligibility period for the refundable tax credit ends on December 31, 2023. Furthermore, in order to constitute qualified property, a property will have to be acquired before January 1, 2023.