



TAX CREDIT FOR THE DIVERSIFICATION OF MARKETS OF QUÉBEC MANUFACTURING COMPANIES

INVESTISSEMENT QUÉBEC

Tax Measures Department

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Tax Credit for the Diversification of Markets of Québec Manufacturing Companies

The objective of the tax credit for the diversification of Québec manufacturing companies (the “CDEM”) is to support manufacturing businesses that wish to expand the commercialization of their products to markets outside Québec. More specifically, this tax credit is designed to reduce the expenses related to ensuring compliance with certain standards imposed by foreign jurisdictions. In addition to encouraging SMBs to ensure that their goods manufactured in Québec comply with the regulations in force in other jurisdictions, this measure promotes their expansion.

The CDEM is a refundable tax credit, meaning that the amount of the credit, less income taxes payable, will be paid to the eligible company.

NATURE OF THE TAX ASSISTANCE

Following the 2014–2015 Budget Speech of June 4, 2014, the tax credit rate was reduced by 20%. Prior to that date, the rate was 30%. It will now be 24%. For details, see page 4 of this document.

ELIGIBLE CORPORATIONS

An eligible corporation is a company, other than an excluded company, that has an establishment in Québec where it operates a manufacturing business during a given taxation year.

An **excluded company**, for the taxation year in question, means:

- a corporation that is exempt from income taxes for the year;
- a corporation with more than \$50 million of assets on its financial statements for the taxation year preceding the year in question.

In addition, to qualify for this tax credit, the company must obtain a corporation certificate from Investissement Québec for each taxation year for which it is requesting the tax credit.

CORPORATION CERTIFICATE

To obtain a corporation certificate, the company must prove that at least 75% of its gross revenue is derived from manufacturing sector activities. The manufacturing sector activities covered by this credit are those classified under the following North American Industry Classification System (“NAICS”) codes:

- 321215 – Structural wood product manufacturing
- 321216 – Particle board and fibreboard mills
- 321911 – Wood window and door manufacturing
- 321919 – Other millwork
- 326122 – Plastic pipe and pipe fitting manufacturing
- 326196 – Plastic window and door manufacturing
- 326220 – Rubber and plastic hoses and belting manufacturing
- 331210 – Iron and steel pipes and tubes manufacturing from purchased steel
- 332311 – Prefabricated metal building and component manufacturing
- 332319 – Other plate work and fabricated structural product manufacturing
- 332321 – Metal window and door manufacturing
- 332410 – Power boiler and heat exchanger manufacturing
- 332420 – Metal tank manufacturing
- 332910 – Metal valve manufacturing

- 3334 – Ventilation, heating, air-conditioning and commercial refrigeration equipment manufacturing
- 333920 – Material handling equipment manufacturing
- 335920 – Communication and energy wire and cable manufacturing
- 335930 – Wire device manufacturing

A corporation will be deemed to respect this criterion for the taxation year in question if at least 75% of its total gross revenue is derived from activities covered by one or more of the NAICS codes listed above, either for the taxation year preceding the year covered by the eligibility certificate application for the second taxation year preceding the taxation year covered by the application.

ELIGIBLE GOODS

Eligible goods are products that the company makes in Québec and for which it has obtained certification, in the year in question, that the products comply with the legal standards applicable outside Québec where the company intends to market the products. Such certification must be obtained before January 1, 2017.

ELIGIBLE CERTIFICATION EXPENSES

Eligible certification expenses for eligible goods for a taxation year mean the expenses incurred by the company within the year or in a prior taxation year that are directly attributable to the certification of such goods.

These expenses include fees paid to an external consultant who is dealing at arm's length with the eligible company and directly related to product certification. All certification expenses for an eligible product must be related to the activities prescribed in the corporation certificate and carried on at an establishment of the eligible company located in Québec.

AMOUNT OF THE CREDIT

Following the 2014–2015 Budget Speech of June 4, 2014, the credit rate was reduced to 24%. This change applies to eligible certification expenses incurred for eligible goods under a contract entered into after June 3, 2014.

In addition, the total amount of the credit, i.e., \$45,000, was reduced to \$36,000 for the term of the credit. This change applies to taxation years beginning after June 4, 2014.

The changes are shown in the following table:

Before June 4, 2014	After June 3, 2014	Terms
<ul style="list-style-type: none"> ▪ 30% on eligible certification expenses ▪ Cumulative credit limit of \$45,000 	<ul style="list-style-type: none"> ▪ 24% on eligible certification expenses ▪ Cumulative credit limit of \$36,000 	<ul style="list-style-type: none"> ▪ Applicable to eligible certification expenses incurred for eligible goods under a contract entered into after June 3, 2014 ▪ The reduced cumulative limit is applicable to taxation years beginning after June 4, 2014

ELIGIBILITY PERIOD

The CDEM may be granted to an eligible corporation for eligible certification expenses incurred after March 20, 2012, and by December 31, 2015, at the latest.

APPLICATION FOR REVIEW

A company that disagrees with a decision made by Investissement Québec may file an application for review within 60 days of the notification of the contested decision. To do so, you must send Investissement Québec the “Application for Review” form, which is available on our website at www.investquebec.com. To be admissible, the application for review must be accompanied by the applicable fees.

REVOCACTION OF A CERTIFICATE

Investissement Québec may revoke a certificate if information or documents justifying such an action are brought to its attention.

In this case, Investissement Québec will inform the company in writing of its intention to revoke the certificate and will list the reasons on which its decision is based. The company has 30 days as of the date of the notification to present its arguments and file relevant documents, if applicable.

Note that it is important to inform Investissement Québec of any change likely to result in a revocation.

Moreover, in the event that a company receives a tax credit all or part of which it should not have received, Revenu Québec will recover the amount of the overpayment by means of a special tax.

PENALTIES

Any person who provides false or incorrect information or who obstructs the work of an Investissement Québec representative is guilty of an offence. In such cases, the person shall be subject to a fine of a minimum of \$2,000 and a maximum of \$25,000.

ELIGIBILITY APPLICATION AND CLAIMING OF TAX CREDIT

The application for the credit and calculation thereof are done at the end of the taxation year, when the company files its income tax return with Revenu Québec. Moreover, the tax credit is taxable.

To receive this tax credit for a taxation year, an eligible corporation must enclose with its tax return:

- the form prescribed by Revenu Québec regarding the CDEM;
- the corporation certificate issued by Investissement Québec regarding the eligible corporation.

To apply for a corporation certificate, the company must complete the appropriate form, which is available on Investissement Québec’s website. The form may also be obtained from an Investissement Québec advisor.

Issuance of a certificate does not guarantee that the tax credit will be obtained. The company must also satisfy the eligibility criteria, which are verified by Revenu Québec, and in particular the rules regarding the deadline for filing certificates. These documents must be filed within 18 months following the end of the company’s fiscal year. If Revenu Québec does not receive the certificates within the 18-month period, the credit will be refused. However, certain exceptions apply:

- If the company obtained its certificates after the 15th day preceding the expiration of the 18-month period and it filed its application for a certificate with Investissement Québec before the expiration of the 15th month following the end of its fiscal year, the credit will be granted;
- If the application for a certificate is filed with Investissement Québec **after the end of the 15th month following the end of the company's fiscal year** and the certificates are issued after the 15th day preceding the expiration of the 18-month period, there is no guarantee that the company will obtain the tax credit. This decision lies solely with Revenu Québec.

Investissement Québec does not grant priority in processing files. In addition, if the application for a certificate is filed with Investissement Québec after the expiration of the 18th month following the end of the company's fiscal year, the company will not be entitled to the tax credit.

To be considered admissible by Investissement Québec, the corporation's application for a certificate must be signed and completed. It must contain all the required information and be accompanied by all the documents listed in the appendices.

ON-SITE VISIT

Investissement Québec reserves the right to visit an eligible corporation's facilities at any time during the eligibility period. The company must give Investissement Québec representatives access to its facilities and provide any information that may be required during the visit.

FINANCING OF THE REFUNDABLE TAX CREDIT

In certain cases, Investissement Québec may offer a loan guarantee to ensure financing of the refundable tax credit.

INTERACTION WITH GOVERNMENT OR NON-GOVERNMENT ASSISTANCE AND OTHER BENEFITS

The amount of any government assistance, non-government assistance, benefit or advantage attributable to the eligible certification expenses must be subtracted from such expenses, in accordance with the usual rules.

The eligible certification expenses incurred by an eligible corporation must have been paid at the time the application for the refundable tax credit is filed with Revenu Québec.

RATE SCHEDULE

Investissement Québec charges fees for processing eligibility applications, applications for review or applications for letters of interest related to the tax measures it administers. For more information, contact an Investissement Québec advisor or consult the [rate schedule](#) on our website.

This fact sheet does not constitute an interpretation by Investissement Québec of the legislative provisions relating to this tax measure. For more information, please consult the official texts of the laws.

June 2014