



TAX CREDIT FOR THE INTEGRATION OF IT IN SMBs

INVESTISSEMENT QUÉBEC

Tax Measures Department



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Caution

This tax credit is intended for corporations with paid-up capital of less than \$50 million¹ (including the paid-up capital of associated corporations, in accordance with the usual rules) that carry on activities mainly in manufacturing, the primary sector, wholesale trade or retail trade. Investissement Québec's role is to validate compliance with the sectoral parameters set out in the *Act respecting the sectoral parameters of certain fiscal measures* and, if applicable, to issue a certificate confirming that the contract qualifies as an eligible IT integration contract.

Revenu Québec alone is responsible for administering the fiscal parameters included in the *Taxation Act*. Consequently, it is the responsibility of the corporation to ensure that it complies with all fiscal parameters, and in particular that it is carrying on activities mainly in eligible sectors.

Tax Credit for the Integration of IT in SMBs

The Tax Credit for the Integration of Information Technologies (hereinafter « CTIM ») aims to assist SMBs that wish to leverage new technologies and integrate information technologies (IT) into their business processes. More specifically, this credit covers the acquisition of management software packages and related expenditures allowing for the optimization of a corporation's business processes.

The CTIM is a refundable tax credit, meaning that the amount of the credit, less any income taxes payable, will be paid to the qualified corporation.

QUALIFIED CORPORATION

A qualified corporation is a corporation, other than an excluded corporation, that has an establishment in Québec where it operates a business during a given taxation year.

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

- a corporation that is tax-exempt for the year;
- a Crown corporation or a subsidiary wholly owned by such a corporation;
- an aluminum-producing corporation or an oil-refining corporation.

QUALIFIED PARTNERSHIP

A qualified partnership is a partnership, other than an excluded partnership, that has an establishment in Québec where it operates a business during a given fiscal period.

An **excluded partnership** means a partnership that, at any time in the fiscal period, carries on:

- an aluminum-producing business, or
- an oil-refining business.

ELIGIBLE SECTORS²

To qualify, a corporation (or a partnership of which it is a member) must carry on activities that are mainly (more than 50%) in one of the following eligible sectors:

- Primary sector
- Manufacturing

¹ For tax years ending after March 17, 2016.

² Eligible sectors are grouped together under specific North American Industry Classification System (NAICS) codes established by Statistics Canada. Sectors identified by the following NAICS codes are eligible: primary – NAICS 11-21; manufacturing – NAICS 31-33; wholesale trade – NAICS 41, and retail trade – NAICS 44-45.

- Wholesale trade
- Retail trade

The activity proportion is calculated as the ratio of all salaries and wages associated with these activities to the total of all salaries and wages paid by the corporation.

QUALIFIED CONTRACT

To obtain this tax credit, a corporation or partnership (hereinafter « corporation ») must obtain a certificate confirming that a contract constitutes a qualified IT integration contract. A qualified IT integration contract means a written agreement that satisfies the following conditions:

➤ **Assessment**

The corporation must show that the IT integration contract is related to a preliminary analysis that enables the corporation to set out a plan describing its needs in order to gain access to a computer systems infrastructure allowing for the use of a management software package to optimize its business processes. The assessment may be done by the corporation itself or by another person on its behalf.

➤ **Subcontractor at Arm's Length**

An IT integration contract must be entered into with a person at arm's length with the corporation, under which that person undertakes to supply the goods and services related to the supply of a qualified management software package him- or herself.

➤ **Supply of a Qualified Management Software Package**

The supply of a qualified management software package means one or more of the following activities:

the sale or lease of an open-source management software package, or the rights of use thereof, that **mainly** enables management of one or more of the following:

- all of the operational processes of a business by integrating all of the functions of the business [**enterprise resource planning (ERP) software package**];
- the interactions of a business with its customers through multiple interconnected communication channels [**customer relationship management (CRM) software package**];
- a network of businesses involved in the production of a product or service required by the final customer to cover all movements of information, from the source to the point of consumption [**supply chain management (SCM) software package**];

the delivery of services relating to the development, integration (installation and implementation), reconfiguration and evolution of a software package described above;

the delivery of services required to support and train the personnel of the business and resolve bugs in relation to the integration of a software package described above in the business;

the sale or lease of general-purpose electronic data processing equipment and associated systems software, including ancillary data processing equipment, as well as the application software required in the course of the integration of the software package described above in the business, or the rights of use thereof.³

For greater clarity, many IT integration contracts, entered into with one or more different persons, may be related to the same preliminary analysis used to obtain the supply of a qualified management software package.

³ To be included in the supply of a qualified software package, a good must not have been used or acquired or leased to be used or leased in any way whatsoever before being acquired or leased by the corporation or partnership.

EXPENDITURES RELATED TO THE SUPPLY OF A QUALIFIED MANAGEMENT SOFTWARE PACKAGE

Eligible expenditures correspond to 80% of the costs related to an IT integration contract attributable to the supply of a qualified management software package to a corporation.

In addition, the qualified management software package supplied must be intended to be used mainly in Québec in the course of carrying on a business.

RATE OF THE TAX CREDIT

A corporation may receive a tax credit equal to 20% of eligible expenditures related to a qualified IT integration contract. The total amount of the credit is limited to \$50,000 for the duration of the credit; this amount corresponds to a cumulative ceiling on eligible expenditures of \$250,000 (80% x \$312,500).

In addition, where the qualified corporation is associated with one or more other corporations in the taxation year, the cumulative balance of eligible expenditures must be determined by including the expenditures relating to a qualified IT integration contract of the corporations with which it is associated.

The tax credit is reduced linearly where the paid-up capital of the corporation and any associated corporations exceeds \$35 million but is less than \$50 million⁴. The corporation may not receive the tax credit if its paid-up capital reaches \$50 million or more.

ELIGIBILITY PERIOD

The eligible corporation may claim the tax credit for expenditures related to a qualified IT integration contract that are incurred before January 1, 2020. The IT contract negotiations must have begun after March 26, 2015 for corporations in the primary and manufacturing sectors, and after March 17, 2016 for corporations in the wholesale and retail trade sectors.

Manufacturing SMBs that obtained a contract certificate further to an application for a certificate filed with Investissement Québec prior to June 4, 2014 can claim expenditures related to the supply of a qualified management software package incurred prior to January 1, 2020.

APPLICATION FOR REVIEW

A corporation 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, it must send Investissement Québec the “Application for Review” form, which is available on our website at <http://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 corporation in writing of its intention to revoke the certificate and will list the reasons on which its decision is based. The corporation 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 corporation 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.

⁴ For tax years ending after March 17, 2016.

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 corporation files its income tax return with Revenu Québec.

Consequently, to receive this tax credit for a taxation year, a corporation must enclose with its tax return:

- the form (CO-1029.8.36.TI) prescribed by Revenu Québec regarding the CTIM;
- the contract certificate issued by Investissement Québec for the qualified corporation.

To apply for a contract certificate, the corporation must complete the prescribed form, which is available on Investissement Québec's website. The application for a certificate must be submitted before the contract is entered into.

However, Investissement Québec may agree, for reasons it considers reasonable under the circumstances, that a corporation or partnership may submit an application for a contract certificate after the contract has been entered into.

Issuance of a certificate does not guarantee that the refundable tax credit will be obtained. Under the *Act respecting the sectoral parameters of certain fiscal measures*⁵, the corporation must file its application for an eligibility certificate with Investissement Québec before the expiration of the 15th month following the end of the corporation's fiscal year.

If the application for a contract certificate is filed after that date, but before the expiration of the 18th month following the end of the corporation's fiscal year, Investissement Québec may, at its discretion, grant the application for an eligibility certificate if it deems the reasons for the delay to be reasonable and to justify late filing.

Consequently, we strongly recommend that you send the application for a contract certificate **before the end of the fifteenth (15th) month** following the end of the corporation's fiscal year.

Moreover, only complete applications will be processed. To be considered complete by Investissement Québec, the application for a contract certificate must be duly signed and completed, including all appendices. It must contain all the required information and be accompanied by all the documents listed in the appendices.

➤ Filing of documents with Revenu Québec

The corporation must submit its application for a tax credit and the relevant eligibility certificates to Revenu Québec by the later of the following dates:

- The last day of the 18th month following the end of the corporation's fiscal year in question;
- The last day of the three (3) month period following the date on which the eligibility certificates were issued by Investissement Québec.

ON-SITE VISIT

Investissement Québec reserves the right to visit the qualified corporation's or qualified partnership's facilities at any time during the eligibility period. The corporation or partnership must thus give Investissement Québec representatives access to the facilities and provide any information that may be required during the visit.

⁵ For tax years beginning after March 26, 2015.

JOINT ADMINISTRATION

The management of tax measures that fall under the responsibility of Investissement Québec is carried out jointly with Revenu Québec.

Issuing certificates and ensuring compliance with eligibility requirements is the sole responsibility of Investissement Québec. In addition, issuance of a certificate by Investissement Québec does not guarantee that the corporation will qualify for the tax measure concerned. The certificate merely confirms that the non-fiscal requirements set out in Schedule A of the *Act respecting the sectoral parameters of certain fiscal measures* that are under the responsibility of Investissement Québec have been met. The other eligibility requirements prescribed by the *Taxation Act*, which are the responsibility of Revenu Québec, must also be met for the corporation to receive the benefits associated with the tax measures in question.

FINANCING OF REFUNDABLE TAX CREDITS

If you qualify for this tax credit, you could receive minimum financing of \$20,000 to help you put your cash to work sooner. Please visit the “Financial Products” section of the Investissement Québec website for more information.

INTERACTION WITH GOVERNMENT OR NON-GOVERNMENT ASSISTANCE OR ANY OTHER BENEFITS

The expenditure relating to the supply of a qualified management software package must be reduced by the amount of any government assistance, any non-government assistance and any benefit or advantage attributable to such expenditure, according to the usual rules.

Moreover, the portion of the supply of a qualified management software package that is reasonably attributable to general-purpose electronic data processing equipment and associated systems software, including ancillary data processing equipment, that otherwise gives rise to the tax credit for investments relating to manufacturing and processing equipment will be excluded from the amount of the qualified IT integration contract in determining the amount of an expenditure relating to the supply of a qualified management software package for the purposes of the CTIM.

RATE SCHEDULE

Investissement Québec charges fees for processing eligibility certificates and applications for review 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 applicable laws.

May 2016