



# **TAX CREDIT FOR GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC**

**IN THE FIELDS OF MARINE BIOTECHNOLOGY, MARICULTURE,  
MARINE PRODUCTS PROCESSING AND RECREATIONAL TOURISM**

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**INVESTISSEMENT QUÉBEC**

Tax Measures Department

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# **Tax Credit for Job Creation in Gaspésie and Certain Maritime Regions of Québec – Marine Biotechnology, Mariculture, Marine Products Processing and Recreational Tourism**

The Tax Credit for Gaspésie and Certain Maritime Regions of Québec was introduced to encourage job creation in selected regions. This credit applies to specific activities carried out in the marine biotechnology, mariculture, marine products processing and recreational tourism industries.

The tax credit is refundable, meaning that the amount of the credit, less any income tax payable, will be paid to an eligible corporation.

## **ELIGIBLE CORPORATION**

An eligible corporation for a particular calendar year means a corporation that has an establishment in an eligible region and carries out an eligible business there.

Pursuant to the *Taxation Act*, the following corporations cannot be deemed to be eligible corporations for a particular calendar year:

- corporations that are tax-exempt for the taxation year in which the calendar year ends;
- crown corporations or wholly-controlled subsidiaries of such a corporation.

In addition, to qualify for this tax credit, the corporation must obtain from Investissement Québec the following documents:

- an initial qualification certificate;
- a certificate in respect of the corporation's activities, called a "business qualification certificate";
- a certificate in respect of every employee for whom it is requesting the tax credit, called an "employee certificate."

The business qualification certificate and the employee certificate must be obtained for every calendar year for which the corporation intends to claim this tax credit.

## **ELIGIBLE REGIONS**

"Eligible region" refers to any of the following regions:

- the Bas-Saint-Laurent region;
- the Côte-Nord region;
- the Gaspésie–Îles-de-la-Madeleine region.

## **INITIAL QUALIFICATION CERTIFICATE**

An initial qualification certificate confirms that the activities specified in the certificate are eligible activities for an eligible region and that such activities are carried on by the corporation in that region during the first calendar year covered by the initial qualification certificate. The corporation must inform Investissement Québec of all activities that it carried on during that first calendar year for which it is submitting its application.

However, that first calendar year may not precede the calendar year preceding the one in which the corporation filed the application for the certificate with Investissement Québec.

In addition, an initial qualification certificate will not be issued to the corporation unless it is able to show, to Investissement Québec's satisfaction, that at least three full-time jobs will be created within a reasonable time on the territory of one or more eligible regions.

For the purpose of determining the number of jobs created, any full-time, part-time or seasonal job created by the corporation in any establishment located in an eligible region as well as any increase in the number of hours worked by the employees of such an establishment may be taken into account. The job or the increase in the number of hours worked is considered to be all or part of a full-time job, depending on the number of hours that the job or increase represents.

In addition, the corporation may also take into account jobs created for the purpose of the Tax Credit for Gaspésie and Certain Maritime Regions of Québec if it held a valid initial qualification certificate for that tax credit for a previous period.

## **BUSINESS QUALIFICATION CERTIFICATE**

A business qualification certificate issued to a corporation confirms that the activities specified in it and carried on by the corporation in one or more eligible regions in a given calendar year constitute a business recognized by Investissement Québec for the year in respect of the eligible regions and that the activities are recognized by Investissement Québec in respect of such a region.

## **EMPLOYEE CERTIFICATE**

An employee certificate certifies that the individual referred to in the certificate is recognized as an eligible employee of the corporation for pay periods that end in the calendar year for which the certificate was applied for. The certificate also specifies the number of eligible pay periods.

### **Eligible Employee**

An individual may be recognized as an "eligible employee" of a corporation for a pay period that ends in a particular calendar year if he:

- is an employee of an establishment of the eligible corporation located in an eligible region;

AND

- spends at least 75% of his working time performing duties that consist in undertaking, supervising or directly supporting activities specified on one or more business qualification certificates issued to the corporation for the calendar year in question.

A corporation may hold more than one eligibility certificate for various recognized businesses it carries on. In that case, an employee may qualify as an eligible employee in relation to each of the recognized businesses of his employer when at least 75% of his duties consist in carrying out, supporting or directly supervising the activities of such recognized businesses carried on by the eligible corporation, considered as a whole. For the purposes of calculating the tax credit, the wages of such an employee are divided among the eligible corporation's various recognized businesses according to the time that the employee devotes directly to each.

For example, an employee who devotes 40% of his time to supporting the activities of recognized business A and 60% to supporting the activities of recognized business B may qualify as an eligible employee for the purpose of obtaining the tax credits in question.

If an individual is temporarily absent from work for reasons considered to be reasonable (such as a temporary illness or maternity leave), Investissement Québec may, for the purpose of determining

whether the individual meets the conditions for recognition as an eligible employee, consider that he continued to work and perform his duties throughout the period of absence, exactly as he was performing them immediately before the period began.

### Eligible Activities in Respect of an Eligible Region

This tax credit was designed for eligible corporations active in the marine biotechnology, mariculture and marine products processing fields, depending on the eligible region.

Starting in calendar year 2015, recreational tourism activities carried on in the Îles-de-la-Madeleine region will also be eligible.

### Recreational Tourism Activities

Recreational tourism activities include any of the following:

- operation of a tourist accommodation establishment for which the Minister of Tourism has issued a classification certificate that is valid for the year under the *Act respecting Tourist Accommodation Establishments*;
  - including ancillary activities involving the production or processing of food included in the tourist accommodation service offering and intended exclusively for clients of the tourist accommodation establishment;
- rental of boats, watercraft, bicycles or other transportation equipment for recreational purposes, or rental of outdoor recreation equipment;
- activities related to guided tours and boat excursions lasting under 24 hours;
- activities related to the operation of recreational facilities that promote tourism; such as:
  - museums, theatres and performance halls;
  - interpretative centres and health centres;
  - equestrian, diving and nature interpretation activities;
- commercialization activities incidental to recreational tourism activities.

The following table shows eligible activities by eligible region.

Field	Eligible regions
Marine products processing	<ul style="list-style-type: none"> <li>• Gaspésie–Îles-de-la-Madeleine</li> <li>• Côte-Nord</li> <li>• La Matanie RCM</li> </ul>
Mariculture and marine biotechnology	<ul style="list-style-type: none"> <li>• Gaspésie–Îles-de-la-Madeleine</li> <li>• Côte-Nord</li> <li>• Bas-Saint-Laurent</li> </ul>
Recreational tourism activities	<ul style="list-style-type: none"> <li>• Îles-de-la-Madeleine (starting in 2015)</li> </ul>

Any activity, other than a commercialization activity, that is related to an eligible activity, such as the technical design of products or production facilities, the receiving or storing of raw materials, or the assembling or handling of goods in process, is deemed to be an eligible activity.

A design or engineering activity that is carried on by a corporation for the purpose of manufacturing or processing a good may be recognized by Investissement Québec in respect of an eligible region even if the manufacturing or processing activity is entrusted to a third party, provided that the manufacturing

or processing activities are eligible activities and that the corporation retains broad control over the manufacturing or processing process.

Finally, a commercialization activity that is ancillary to an eligible activity carried on as part of a recognized business by the eligible corporation or by an associated corporation is an eligible activity.

## **Ineligible Activities in Respect of an Eligible Region**

The following activities are ineligible for the purposes of this credit:

- marine product manufacturing or processing that is carried on in restaurants, hotels, shopping centre fast-food outlets, supermarkets, grocery stores or other similar commercial establishments;
- scientific research and experimental development;
- administrative tasks.

Moreover, the following activities cannot be deemed to be recreational tourism activities:

- activities related to the production or processing of food that are carried on in restaurants, tourism accommodation establishments, fast-food restaurants, grocery stores and similar commercial establishments, other than those mentioned in the list of eligible activities;
- automobile rental activities;
- activities related to aircraft, ferry and bus transportation services;
- activities related to the operation of facilities such as:
  - movie theatres;
  - drive-in movie theatres;
  - miniature golf courses;
  - arcades;
  - bowling facilities;
  - pool rooms, bars and private clubs;
- health centres where care is provided by health professionals (e.g., physicians, chiropractors, dentists and nurses).

## **REORGANIZATION**

If a corporation results from a reorganization involving another corporation that held a valid business qualification certificate immediately prior to the reorganization, the following rules apply:

- any unrevoked initial qualification certificate held by the corporation that was replaced is deemed to have been issued to the corporation resulting from the reorganization;
- the corporation that was replaced and the corporation that resulted from the reorganization are deemed to be one and the same corporation for the purpose of the criterion regarding the creation of three jobs.

For the purposes of this tax credit, “corporate reorganization” means:

- an amalgamation of corporations;
- the winding-up of a wholly owned subsidiary<sup>1</sup> into its parent;
- the transfer of all activities referred to in a business qualification certificate that is valid at the time of the transfer between two corporations belonging to the same corporate group. However, all the issued shares of each class of shares of the capital stock of each of the two corporations must be owned in identical proportions by the same person or by each member of a group of persons.

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<sup>1</sup> A subsidiary is wholly owned by its parent company if at least 90% of all issued shares of each class of shares of the capital stock belong to the parent company.

## CREDIT RATE

The tax credit is based on the total payroll attributable to the eligible employees of an eligible corporation. The credit rate<sup>2</sup> varies according to the field and the calendar year of eligibility. The table below shows the credit rate according to the civil year of eligibility as well as the **applicable ceilings on eligible wages starting from calendar year 2016**.

Field	Eligible regions	Calendar year 2014	Calendar year 2015	Calendar years 2016 to 2020
Marine products processing	<ul style="list-style-type: none"> <li>▪ Gaspésie–Îles-de-la-Madeleine</li> <li>▪ Côte-Nord</li> <li>▪ La Matanie RCM</li> </ul>	18%	16%	<ul style="list-style-type: none"> <li>▪ 15% of eligible wages paid</li> <li>▪ Maximum credit of \$12,500 per employee (15% x \$83,333)</li> </ul>
Mariculture and marine biotechnology	<ul style="list-style-type: none"> <li>▪ Gaspésie–Îles-de-la-Madeleine</li> <li>▪ Côte-Nord</li> <li>▪ Bas-St-Laurent</li> </ul>	36%	32%	<ul style="list-style-type: none"> <li>▪ 30% of eligible wages paid</li> <li>▪ Maximum credit of \$25,000 per employee (30% x \$83,333)</li> </ul>
Recreational tourism activities	<ul style="list-style-type: none"> <li>▪ Îles-de-la-Madeleine</li> </ul>			

Special rules apply depending on whether an eligible corporation:

- has one establishment in an eligible region and another establishment elsewhere in Québec;
- is associated with one or more other corporations;
- carries out activities previously carried out by another entity such as a corporation, general partnership or person (transfer of activities from one person to another), as well as in the event of a merger or winding-up.

For more information on how this tax credit is calculated, please contact your tax advisor or Revenu Québec.

## ELIGIBLE WAGES

“Eligible wages” refers to employment income generally calculated in accordance with the *Taxation Act*, but does not include:

- *for an employee whose activities are related to commercialization*, director’s fees, bonuses, remuneration for work done in excess of normal work hours, or taxable benefits that must be included in the employee’s income;

<sup>2</sup> Ministère des Finances du Québec, 2015–2016 Budget Speech of March 26, 2015

- *for other employees*, director's fees, bonuses, performance premiums, remuneration for work done in excess of normal work hours, commissions, or taxable benefits that must be included in the employee's income.

Eligible wages paid to an eligible employee in 2016 and subsequent calendar years are capped at \$83,333<sup>3</sup>, calculated yearly according to the number of days in the calendar year in question on which the employee is eligible.

## **ELIGIBILITY PERIOD**

The Refundable Tax Credit for Gaspésie and Certain Maritime Regions of Québec in the fields of marine biotechnology, mariculture, marine products processing and recreational tourism is available until December 31, 2020.

## **CANCELLATION FOR MAJOR UNFORESEEN INCIDENTS**

In the event of a major unforeseen incident<sup>4</sup>, Investissement Québec may, at the request of an eligible corporation, cancel the initial qualification certificate that was issued to the corporation. However, such a cancellation does not come into effect until the calendar year following the last calendar year for which the tax credit was requested.

The eligible corporation may then apply for a new initial qualification certificate for a subsequent calendar year if it satisfies the other eligibility conditions. It must resume its business operations before the end of the second calendar year following the one in which it ceased its activities.

In the event that the corporation resumes its activities in the same municipality or in a municipality no more than 40 km away, the base calendar year for the second certificate will be the calendar year preceding the one in which the corporation once again becomes eligible for the tax credit.

In the event that the corporation resumes its activities in a municipality that is more than 40 km away, the base calendar year for the second certificate will be the base calendar year of the certificate that was cancelled.

By way of example, the loss of a major client or any other consequence arising from a normal business risk that is due, for instance, to difficult economic circumstances or fluctuations in financial or other markets is not deemed to be a major unforeseen incident.

## **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 at [www.investquebec.com](http://www.investquebec.com). To be admissible, the application for review must be accompanied by the applicable fees.

## **AMENDMENT AND REVOCATION OF A CERTIFICATE**

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

In that case, Investissement Québec will inform the corporation in writing of its intention to amend or revoke the certificate and set forth the reasons on which its decision is based. The corporation has 30

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<sup>3</sup> The new ceiling on eligible wages was announced in the 2015–2016 Budget Speech of March 26, 2015.

<sup>4</sup> For example, a fire that destroys a substantial portion of the corporation's facilities.



days from 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 an amendment or 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.

## **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**

### **Initial Eligibility Procedure**

A corporation must submit its initial application to Investissement Québec by sending in the appropriate form accompanied by the required documentation, such as a copy of the corporation's most recent financial statements and the certificate of incorporation. The form is available on Investissement Québec's website and from Investissement Québec's Tax Measures Department.

### **Annual Eligibility Procedure**

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

To receive the tax credit for a particular calendar year, an eligible corporation must enclose with its tax return:

- the form (CO-1029.8.36.RM) prescribed by Revenu Québec regarding the Tax Credit for Gaspésie and Certain Maritime Regions of Québec – Marine Biotechnology, Mariculture and Marine Products Processing;
- the business qualification certificate issued by Investissement Québec for the eligible corporation;
- the employee certificate issued by Investissement Québec in respect of eligible employees for the calendar year in question.

To apply for a business qualification certificate and an employee certificate, the corporation must complete the appropriate form, which is available on Investissement Québec's website.

Issuance of either certificate does not guarantee that the tax credit will be obtained. Under the *Taxation Act*, the corporation must file its application for a refundable tax credit with Revenu Québec within 18 months; the application must include the certificates issued by Investissement Québec. This deadline is mandatory but may be extended by Revenu Québec in certain situations and under certain conditions, in particular when Investissement Québec receives a complete application by the last day of the 15th month following the end of the corporation's fiscal year.

Investissement Québec does not grant priority in processing files. If the application for the certificates is filed after the expiration of the 15th month following the end of the corporation's fiscal year,

Investissement Québec cannot guarantee that the corporation will obtain the certificates before the expiration of the 18-month period following the end of its fiscal year.

Consequently, we strongly recommend that you submit the application for the certificates 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 the certificates 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.

## **ON-SITE VISIT**

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

## **FINANCING OF THE REFUNDABLE TAX CREDIT**

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 OTHER TAX CREDITS, ASSISTANCE AND BENEFITS**

Tax legislation includes rules aimed at limiting the number of forms of tax assistance that a single taxpayer or a group of taxpayers can receive for expenses that may qualify for more than one tax credit. These rules also apply to corporations eligible for the Tax Credit for Gaspésie and Certain Maritime Regions of Québec.

Furthermore, the amount of any government assistance, non-government assistance, benefit or advantage attributable to wages payable by an eligible corporation during a particular taxation year must be subtracted from such wages, in accordance with the usual rules.

## **RATE SCHEDULE**

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

*This detailed fact sheet is a summary of the main rules set out in Chapter 12 of Appendix A of the Act respecting the sectoral parameters of certain fiscal measures and certain provisions of the Québec Taxation Act. Other conditions may apply in certain cases. This fact sheet is not an interpretation by Investissement Québec of the legislative provisions relating to the tax measure. For further information, please refer to the relevant legislation.*

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