



TAX CREDIT FOR ALUMINUM VALLEY

INVESTISSEMENT QUÉBEC

Tax Measures Department

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Tax Credit for Aluminum Valley

The Tax Credit for Aluminum Valley was introduced to encourage job creation and the growth of secondary aluminum processing activities in the Saguenay–Lac-Saint-Jean region.

This tax credit is refundable, meaning that the amount of the credit, less income taxes 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 the Aluminum Valley 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 REGION

The only eligible region is Aluminum Valley, which corresponds to the territory of the Saguenay–Lac-Saint-Jean administrative region.

INITIAL QUALIFICATION CERTIFICATE

An initial qualification certificate confirms that the activities specified in the certificate are eligible activities in respect of the Saguenay–Lac-Saint-Jean 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 has carried on during that first calendar year for which it is submitting an 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 in the Saguenay–Lac-Saint-Jean region.

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 involved.

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 the Saguenay–Lac-Saint-Jean region in a given calendar year constitute a business recognized by Investissement Québec for the year in respect of the Saguenay–Lac-Saint-Jean region and that the activities are recognized by Investissement Québec in respect of that 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 covered by the certificate. The certificate also specifies the number of eligible pay periods.

In addition, for its base year, the corporation is required to obtain an employee certificate in respect of any individual working for it who may be recognized as an eligible employee.

A corporation resulting from an amalgamation with or a winding-up into another corporation whose base year is subsequent to that of the corporation resulting from the corporate reorganization must obtain an employee certificate in respect of any individual who worked for the other corporation in the base calendar year in question and who may be recognized as an eligible employee.

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 the 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 his employer’s recognized businesses when at least 75% of his duties are devoted to 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 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 purposes of 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 or she continued to work and perform his or her duties throughout the period of absence, exactly as he or she was performing them immediately before the period began.

Base Year

The base year of a corporation, in reference to a particular calendar year, is the calendar year preceding the first calendar year covered by the first valid initial qualification certificate issued to the corporation.

Eligible Activities in Respect of an Eligible Region

A recognized business for a particular calendar year is a business operated by the corporation for which a business qualification certificate was issued by Investissement Québec and which carries on activities in the following industries:

- manufacturing of finished or semi-finished products from aluminum that has already undergone primary processing;
- reclamation or recycling of waste and residue resulting directly from aluminum processing.

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 the 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:

- a maintenance or repair activity;
- a scientific research and experimental development activity;
- an installation activity.

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 employee certificate for the base calendar year is the one referred to in the first initial qualification certificate issued to either of the corporations involved in the amalgamation or winding-up;
- the corporation that was replaced and the corporation that resulted from the reorganization are deemed to be one and the same corporation for the purposes of the criterion regarding the creation of three full-time jobs and the tax elections made.

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

- an amalgamation of corporations;
- the winding-up of a wholly owned subsidiary¹ 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.

CREDIT RATE

The tax credit is based on the increase in payroll attributable to the eligible employees of an eligible corporation. The credit rate is 20% for the 2013 calendar year, 18% for the 2014 calendar year and 16% for the 2015 calendar year.² The credit is calculated as follows:³

$$\text{Applicable tax credit rate multiplied by} \left[\begin{array}{l} \text{All eligible wages paid by the} \\ \text{corporation to its eligible} \\ \text{employees for the calendar} \\ \text{year} \end{array} \right] - \left[\begin{array}{l} \text{All eligible wages paid by the} \\ \text{corporation to its eligible} \\ \text{employees for its base calendar} \\ \text{year} \end{array} \right]$$

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 an amalgamation 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;
- *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 due to an eligible employee must have been paid when the corporation files its tax credit application with Revenu Québec.

¹ 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.

² The change in the tax credit was announced in the 2014–2015 Budget Speech of June 4, 2014.

³ This is a summary illustration of the calculation prescribed by the *Taxation Act*. For a more detailed illustration of the calculation, please refer to the form prescribed by Revenu Québec.

ELIGIBILITY PERIOD

The Refundable Tax Credit for Aluminum Valley is available through the end of calendar year 2015.

CANCELLATION FOR MAJOR UNFORESEEN INCIDENTS

In the event of a major unforeseen incident,⁴ 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 ensure that its business operations resume 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. 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 days from the date of the notification to present its arguments and file any relevant documents.

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.

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

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. It may also be obtained from an Investissement Québec advisor.

Annual Eligibility Procedure

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.

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.RO) prescribed by Revenu Québec regarding the Tax Credit for Resource Regions, Aluminum Valley, Gaspésie and Certain Maritime Regions of Québec;
- 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 and the base calendar year, if applicable.

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 a 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 eighteen (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 fifteenth (15th) month following the end of the corporation's fiscal year.

Note that Investissement Québec does not grant priority in processing files. Thus, if the application for the business qualification and employee certificates is filed after the expiration of the fifteenth (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 eighteen (18) month period following the end of its fiscal year.

Consequently, we strongly recommend that you send the application for the business qualification and employee 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 business corporation's application for certificates must be signed and duly completed, including the appendices. It must contain all required information and be accompanied by all the documents requested 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 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 Aluminum Valley.

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 XI of Schedule 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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