

## **CITÉ DU MULTIMÉDIA DE MONTRÉAL (CMM)<sup>1</sup>**

As a world leader in multimedia, Montréal offers a site devoted exclusively to companies operating in the information and communications technology field.

In general, the tax assistance granted through this measure consists of a refundable tax credit of 40% calculated on the salary paid to a specified employee. In addition, a tax holiday can be granted to a foreign specialist working for a corporation benefiting from this measure. Details on this tax holiday are provided in the “Foreign Specialist” fact sheet.

Lastly, a corporation that carries out an “innovative project” in premises in a building within the perimeter of the CMM may receive significant tax benefits. For more information on the various kinds of assistance available to such corporations, refer to the “Information Technology Development Centre (CDTI)” fact sheet.

The CMM tax measure was eliminated in the 2003-2004 Budget Speech of June 12, 2003. However, transition provisions enable corporations, in certain cases, to benefit from this measure under the initial rules. Such information is shown within borders.

### **Designated Perimeter of the CMM**

Corporations that wish to take advantage of the tax benefits are required to move into a building within the designated perimeter of the CMM.

The CMM is located near the Old Port of Montréal, in the area bounded by de la Commune, Duke, William and King streets. The buildings designated for the purposes of this fiscal measure are located in this area. Specific information on these buildings is provided in a legal description available at Investissement Québec.

### **Specified Corporation**

The expression “specified corporation” refers to a corporation that holds, for a taxation year, an attestation from Investissement Québec confirming that it carries out specified activities (i.e. other than an innovative project) in a building of the CMM.

The following corporations are not eligible for “specified corporation” status:

- a corporation that is tax-exempt for the year in question;
- a Crown corporation or a wholly-controlled subsidiary of such a corporation.

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<sup>1</sup>Under certain conditions, a corporation that carries out an “innovative project” in a CMM may claim significant tax benefits tied to the CDTI tax measure. For further information on this last tax measure, please consult the detailed fact sheet on information technology development centres (CDTIs).

The CMM measure was eliminated in the 2003-2004 Budget. However, certain corporations may continue to benefit from this measure in accordance with the terms and conditions that applied before June 12, 2003 provided that they have satisfied either of the following requirements:

- The corporation must have obtained an eligibility certificate for this fiscal measure before June 12, 2003; or
- The corporation must have submitted its written application for an eligibility certificate before June 12, 2003 to Investissement Québec and must comply with the eligibility conditions. To be considered, such an application must be accompanied by the supporting documents required to determine the corporation's eligibility.

Despite the above, the corporation of which **control is acquired** after June 11, 2003, can no longer benefit from the CMM tax measure as of the taxation year deemed to begin at the time of the acquisition of control. Nevertheless, the corporation will continue to be eligible in the following situations, despite the acquisition of control:

- Control of a specified corporation is acquired by another specified corporation such as a corporation eligible for the CNNTQ, CNE or CMM measures or by a corporation that already controls another specified corporation.
- Control of the specified corporation was acquired by an "exempt corporation"<sup>2</sup> that did not choose to retain its status as an "exempt corporation";
- Control of the specified corporation was acquired after June 11, 2003 following the exercise of existing rights or satisfaction of an obligation on this date.
- Control of the specified corporation was acquired between June 11, 2003 and July 1, 2004 if the acquisition of control is the result of a transaction sufficiently advanced by June 11, 2003 and binding upon the parties at this date.
- Control of the specified corporation is acquired by a significant shareholder, i.e. a shareholder who held at least 25% (by votes and by value) of the shares of the corporation on June 11, 2003. Special rules apply in the case where control is acquired by a group of persons who together held at least 25% (by votes and by value) of the shares of the corporation on June 11, 2003.

On an exceptional basis, a corporation created as the result of **corporate restructuring** may obtain an eligibility certificate for the CNNTQ measure even if the eligibility application was submitted after June 11, 2003, provided that one of the corporations involved in the restructuring is a specified corporation. The corporate restructurings covered by this exception are as follows:

- Amalgamation or merger, provided that control of the specified corporation is not acquired during restructuring.
- Liquidation or winding-up by the parent company of a specified corporation that is a wholly owned subsidiary.
- Corporate restructuring between two corporations that are part of the same corporate group, but only if ownership of the two corporations wanting to transfer specified activities are held in the same proportions by one person or by each member of a group of persons. However, where such corporate restructuring means that a specified corporation transfers or assigns **part** of its specified activities to another corporation that is part of the same corporate group, only one corporation may hold an eligibility attestation in connection with this fiscal measure.
- Corporate restructuring completed before June 12, 2003; and

<sup>2</sup> An "exempt corporation" is a corporation holding an attestation from Investissement Québec to the effect that it operates or may operate a business constituting an innovative project at a designated site.

- Corporate restructuring completed and finalized between June 11, 2003 and July 1, 2004, provided that the corporate restructuring was sufficiently advanced before June 11, 2003 and was binding on the parties on that date.

In all cases, Revenu Québec is responsible for determining whether there has been acquisition of control.

## **Specified Activity**

Essentially, the tax assistance is intended for corporations that carry out an expansion project that creates jobs. “Specified activities” are innovation activities in the information and communications technology sectors, in particular:

- information systems software and application packages;
- telecommunications;
- multimedia;
- consulting services.

Such corporations are concentrated primarily in the following sectors:

- information systems, software and application packages: instrumentation equipment, software production, supply of data processing services and professional services, security and identification systems, virtual reality, software engineering and electronic imaging;
- voice recognition and language processing: home automation, artificial intelligence and interface;
- consulting services: systems development and integration, computer programs management and software design;
- related services: Internet access supply, virtual companies on the Internet, office automation, databases and geomatics;
- telecommunications: data communications, telephony and cable distribution equipment, supply of telecommunications services, fibre optics and satellite communications, microcircuits, hybrid circuits and electronic components;
- multimedia: development of electronic services and content, applications design, etc.

## **Activities not Recognized as a “Specified Activity”**

The following activities are excluded because they make a less significant contribution to the development of the new economy and do not generate a sufficiently high level of value added:

- repair and maintenance of electronic or computer equipment;
- manufacturing of non-electronic machines, instruments, components, parts, material or equipment;
- assembly of electronic and non-electronic parts or components (e.g. assembly of television receivers, computer monitors, calculators or cash registers);
- audio and/or video signal distribution services via broadcasting, telephone networks, cable distribution, satellites or other cellular networks;
- distribution services (e.g. newspaper chains, periodicals, video clubs and television stations);
- the operation of satellites, studios or television or radio networks;
- the operation of electromagnetic telecommunications services and telephone services (e.g. call centres and telephone networks);
- print media, non-digital film (including post-production) and non-digital audiovisual production (including television programs);
- primary suppliers (e.g. museums, libraries, databases, etc.);
- teleconferencing services;

- Internet access suppliers;
- book or record publishing (e.g. commercialization, promotion and financing of applications).

This list is not exhaustive and is given for illustrative purposes only.

## **Specified Employee**

A “specified employee” essentially refers to a person who, in carrying out his or her duties for the position to which he or she is assigned, undertakes, supervises or directly supports work relating to the performance of a "specified activity" of the corporation.

For instance, employees assigned to the following tasks may be eligible:

- tasks related to the gathering, storage, processing and transmission of information (multimedia or other);
- tasks involving activities geared toward innovation, such as pre-production, production, technology adaptation, and new byproduct development;
- tasks involving the creation of basic multimedia production content (authors, composers, directors, graphic artists, etc.).

An employee whose duties are not directly related to the corporation's specified activities is not eligible.

For example, the following duties and functions are excluded:

- advertising, telemarketing, marketing, commercialization and communications, market research and public relations (e.g. primarily sales department services);
- administrative services and clerical support services (e.g. accounting, accounts collection, receptionist services, human resources, etc.);
- corporate services (e.g. senior management, executive personnel, legal affairs, finance, etc.);
- customer services, in particular a customer support centre;
- technology installation at the client's premises and market development.

In addition, the employee must hold a full-time job with a minimum of 26 hours a week for an expected minimum of 40 weeks.

Lastly, such employee must be present in the establishment of his employer located in the CMM for all or almost all (90% or more) of his hours of work with such employer. There are, however, two exceptions to this. First, if an employee takes supplementary training at the employer's request, even outside the CMM, he or she is deemed to satisfy the condition of occupying the CMM for the training period, provided he or she receives his or her usual remuneration during such period.

The second exception applies when a portion of the employee's activities must be carried out in a research centre with specialized equipment or, if applicable, in a natural setting, and Investissement Québec considers it unreasonable to require that tasks related to such activities be carried out at the employer's establishment in the CMM. The employee will be deemed, in carrying out such tasks, to be carrying out his or her duties at the employer's establishment in the CMM.

Note that the second exception does not apply regarding employees who must carry out a significant part of their duties on the customers' premises even if such work is carried out within a designated site. Similarly, it does not apply to duties carried out by an employee of a corporation located outside a designated building, when such duties are performed at another establishment of the corporation or at an establishment of a person with whom the corporation is not at arm's length.

## **Specified Salary and Tax Credit on Salaries**

The tax credit of 40% on salaries is established on the basis of the “specified salary” for each employee for whom an annual attestation is issued by Investissement Québec.

Briefly, the expression “specified salary” means, for the calculation of the tax credit for a taxation year, the salary incurred by the corporation during such year for the time an employee allocates to tasks directly related to the “specified activities” of his or her employer. The salary considered for calculating the credit is subject to an annual maximum of \$37 500.

Accordingly, when, during a taxation year, all the tasks carried out by an employee with a specified corporation do not satisfy the overall eligibility criteria of the program, the corporation may still receive an eligibility attestation for such employee for the portion of the tasks that satisfy the eligibility criteria.

For instance, an employee who, during a taxation year, carries out both management and development tasks may be eligible for the tasks directly related to development. Assuming that the portion of time allocated to development corresponds to 50% of the employee's time, the specified salary incurred by the corporation for him or her is, for the purposes of the calculation of the tax credit, equal to 50% of the lesser of the salary actually paid and \$37 500 (considering that the employee qualifies for a taxation year of 365 days).

In view of the cap on eligible salary mentioned above, the amount of tax assistance relating to salary cannot exceed \$15 000 per “specified employee” on an annual basis. Where the employee's number of days of eligibility is less than 365 days per year, this cap must also be proportioned to the number of days of eligibility over 365 and of the proportion of time devoted to specified activities of the corporation.

## **Tax Credit Eligibility Period**

In general, the eligibility period of a corporation, for which the specified salaries give rise to the tax credit, depends on the calendar year in which the lease for premises in one of the buildings of the CMM was signed.

- *Leases signed before January 1, 2001*
  - A corporation that holds an attestation as a “specified corporation” and carries out specified activities in the CMM following the signing of a lease before January 1, 2001, may receive a tax credit for specified salaries incurred no later than December 31, 2010.
- *Leases signed in 2001, 2002 or 2003*
  - A corporation that holds an attestation as a “specified corporation” and carries out specified activities in the CMM following the signing of a lease in 2001, 2002 or 2003, may claim a tax credit for specified salaries for a period of ten years beginning on the date the lease is signed.

Certain exceptions are allowed for determining the effective date of the eligibility attestation issued to a specified corporation. One such exception is when the corporation occupies the building at the time of its designation as a designated building within the perimeter of the CMM or when events beyond the corporation's control significantly delay the signing of a lease.

Furthermore, the date used for establishing the end of the tax credit eligibility period for salaries may be different from the date the lease is signed under certain circumstances. This may be the case, for example, when the corporation is associated with another specified corporation at the time the lease is signed.

## **Interaction with Other Tax Credits, Assistance, Benefits, etc.**

The amount of salaries must be reduced by the amount of any government assistance, any non-government assistance and any gain or advantage attributable to such salaries, according to the usual rules applicable to refundable tax credits.

As of April 22, 2005, reimbursement of assistance, a benefit or another amount that previously served to reduce the amount of salaries for the purpose of calculating the tax credit awarded to the corporation will be added to the amount of the salaries for application of the tax credit to which that taxpayer will be entitled.

Furthermore, as of April 22, 2005, a special income tax will be payable during the year in which a taxpayer receives, is entitled to receive or may reasonably expect to receive assistance, a benefit or another amount attributable to an expense by that taxpayer for which a tax credit will have been awarded.

An expenditure relating to an activity for a given period cannot give rise to more than one refundable tax credit. In addition, the *Taxation Act* stipulates that all the assistance received for an employee may not exceed the lesser of \$25 000, calculated on an annual basis, or 60% of the portion of the salary of the eligible employee relating to the carrying out of an eligible activity.

For more information on this aspect of the calculation of the tax credit, refer to the general information service of Revenu Québec.

## **How to File an Eligibility Application**

To be eligible for this measure, a corporation must have filed, **prior to June 12, 2003**, an application for an eligibility certificate with Investissement Québec using the appropriate form duly completed and accompanied by the required documentation.

## **Annual Attestations**

When a “specified corporation” files its tax return, it must for each taxation year for which it wishes to claim the tax assistance,

- prove to Investissement Québec that it occupies premises in the CMM or, if the premises are not yet available for occupancy, show that it is maintaining its lease for premises in the designated building.
- obtain from Investissement Québec the eligibility attestations for its activities and the employees for whom the credit will be claimed. These annual attestations and the one concerning “specified corporation” status must then be filed with Revenu Québec within twelve months of the statutory deadline for filing the corporation's tax return. The tax credits are claimed using the form prescribed by Revenu Québec.

Applications for annual eligibility certificates are filed using the forms available on the Investissement Québec website. They can also be obtained from the Department of Fiscal Measures of Investissement Québec.

Finally, to ensure the specified corporation does not lose its entitlement to the tax credit, applications for annual attestations must be filed with Investissement Québec before the end of the fifteenth (15th) month following the end of the corporation's fiscal year. To be valid, the application must be duly completed and accompanied by all the documents required for issuing of the attestation.

## **Maintaining Eligibility**

The Québec government has already indicated that entitlement to and receipt of tax benefits is conditional, in particular, on corporations complying with their commitments under their leases for premises in the designated building as soon as the premises are made available by the lessor and are ready for occupancy.

Accordingly, failure to occupy the stipulated building, for which the corporation has received an attestation of eligibility for the fiscal measure, may not only compromise the issuance of annual attestations in future, but also cause Investissement Québec to revoke attestations issued for prior years. Such revocations could initiate a mechanism for recovering tax credits claimed for prior years in accordance with the Taxation Act.

## **On-site Visit**

Investissement Québec reserves the right to visit the corporation's facilities at any time during the "specified corporation" attestation validity period and in carrying out its mandate to issue annual attestations. Accordingly, the corporation must to give Investissement Québec representatives access and provide the information required during the visit.

## **Administrative Responsibilities**

The fiscal measure is administered jointly by Investissement Québec and Revenu Québec.

- *Responsibilities of Investissement Québec*

Responsibility for issuing the various eligibility attestations and ensuring compliance with eligibility criteria lies exclusively with Investissement Québec. The fact that Investissement Québec has issued an eligibility attestation is not an absolute guarantee that the corporation may benefit from the fiscal measure concerned. The eligibility attestation simply confirms that the administrative criteria that are the responsibility of Investissement Québec have been satisfied. The other eligibility criteria stipulated in the Taxation Act, which fall under the administrative responsibility of Revenu Québec, must also be satisfied before the corporation can claim the benefits of the fiscal measure.

For greater clarity, in every case, Investissement Québec considers an application relating to this fiscal measure to be complete if it is signed, if all the sections of the form are duly completed and if it is accompanied by all the documents required by the form including, if applicable, power of attorney of the corporation in the case of representation.

- *Responsibilities of Revenu Québec*

Revenu Québec is responsible for administering the Taxation Act and ensuring compliance with the provisions of the Act. If an eligibility criterion relating to a fiscal measure is indicated in the Taxation Act, Revenu Québec ensures that the criterion is satisfied.

The legislation stipulates, for example, that the corporation must obtain an eligibility attestation issued by Investissement Québec. In this case, the responsibility of Revenu Québec regarding eligibility attestations is limited to checking that the corporation actually has the attestation. It is not responsible for checking the items on which the issuance of such attestation by Investissement Québec are based.

Revenu Québec may, however, provide Investissement Québec with information to ensure the integrity of a fiscal measure.

As of June 12, 2003, Revenu Québec must decide on the entitlement to the tax credit and, if applicable, the expiry of such entitlement in light of the rules on the acquisition of control of the specified corporation.

### **Special Tax**

If a wage expenditure for which a tax credit has been granted is refunded to the eligible corporation, the tax credit may be recaptured by means of a special tax stipulated by the *Taxation Act*.

In addition, Revenu Québec may at any time recover, by means of a special tax, any tax credit overpaid to a corporation following the issuance of an eligibility certificate revoked by Investissement Québec after April 21, 2005.

### **Interim Financing of the Tax Credit**

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

### **Rate Schedule**

Since September 1, 2004, Investissement Québec has charged fees for the analysis of any application for eligibility relating to the tax measures it administers. For more information on this topic, please consult the [rate schedule](#) available on this Web site.

*The statements in this detailed fact sheet constitute a summary of the fiscal policy taken from various publications of the ministère des Finances du Québec and the Taxation Act. Other conditions may apply in certain cases.*

*While it may refer to certain provisions, of the Taxation Act in particular, this description is not an interpretation by Investissement Québec of the legislative provisions relating to the tax measure.*

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