



TAX CREDIT FOR PROCESSING OPERATIONS IN RESOURCE REGIONS

INVESTISSEMENT QUÉBEC

Tax Measures Department

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Tax Credit for Processing Operations in Resource Regions

The Tax Credit for Processing Operations in Resource Regions was introduced to encourage job creation related to specific operations carried out in certain manufacturing and processing 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 a resource 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 regions for the purpose of the Tax Credit for Processing Operations in Resource Regions are the following:

Resource regions	Measure ends December 31, 2012	Measure ends December 31, 2015
Bas-Saint-Laurent	Western Bas-Saint-Laurent <ul style="list-style-type: none"> • Rivière-du-Loup RCM • Rimouski-Neigette RCM • Témiscouata RCM • Kamouraska RCM • Les Basques RCM 	Eastern Bas-Saint-Laurent <ul style="list-style-type: none"> • Matapédia RCM • Matane RCM • La Mitis RCM
Saguenay–Lac-Saint-Jean	<ul style="list-style-type: none"> • Lac-Saint-Jean Est RCM • City of Saguenay 	<ul style="list-style-type: none"> • Maria-Chapdelaine RCM • Fjord-du-Saguenay RCM • Le Domaine-du-Roy RCM
Mauricie	<ul style="list-style-type: none"> • City of Trois-Rivières • Maskinongé RCM • Les Chenaux RCM 	<ul style="list-style-type: none"> • Agglomération of La Tuque • Mékinac RCM • City of Shawinigan
Outaouais		<ul style="list-style-type: none"> • Vallée-de-la-Gatineau RCM • Pontiac RCM
Abitibi-Témiscamingue		<ul style="list-style-type: none"> • Abitibi-Témiscamingue
Côte-Nord		<ul style="list-style-type: none"> • Côte-Nord
Nord-du-Québec		<ul style="list-style-type: none"> • Nord-du-Québec
Laurentides		<ul style="list-style-type: none"> • Antoine-Labelle RCM

INITIAL QUALIFICATION CERTIFICATE

An initial qualification certificate confirms that the activities specified in the certificate are eligible activities for a resource 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 an application.

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 resource regions in a given calendar year constitute a business recognized by Investissement Québec for the year in respect of the resource regions.

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.

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 a resource 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 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 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 that Investissement Québec considers reasonable (such as a temporary illness or maternity leave), it 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.

BASE YEAR

For the purposes of determining the increase in the eligible payroll of the corporation for the application of the Tax Credit for Processing Operations in Resource Regions, the base calendar year of an eligible corporation is the one that was applicable for determining the tax credit for calendar year 2009 or that would have been applicable had the corporation claimed such tax credit for calendar year 2009.

If a corporation holds more than one eligibility certificate for one or more tax credits available in the regions, it must use a single base calendar year, namely the one applicable to the first eligibility certificate issued to the corporation.

Eligible activities in respect of a resource region

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

Wood processing industry:

- Manufacturing or processing of finished or semi-finished products from wood
- Manufacturing and processing of products made from paper or paperboard
- Manufacturing or processing of crate components, seasoning of timber in a kiln or planing of timber in a plant

Metal processing industry:

- Manufacturing or processing of finished or semi-finished products from metal (for example, manufacturing of hardware items, automobile parts, metal frames, etc.)

Food processing industry:

- Manufacturing or processing of food (for example, slaughtering of animals, manufacturing of animal feed, preserving, etc.)

Energy industry:

- Production of ecological non-conventional energy from biomass or hydrogen
- Manufacturing of the following products intended for the production or use of energy:
 - Products that directly produce energy or convert one form of energy into another, such as turbines and alternators; or
 - Industrial-use electrical materials and components that perform connection, commutation, relay or control functions, such as control panels, electrical relays and switch cabinets

Other industries:

- Reclamation or recycling of waste and residual materials resulting directly from natural resource development or processing
- Freshwater aquaculture
- Manufacturing or processing of finished or semi-finished products from gemstones or semi-precious stones, including the setting of such stones and the making of jewellery
- Printing and publishing, including typesetting, printing, collating, folding and bundling

- Manufacturing or processing of finished or semi-finished products from non-metallic minerals

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 a resource 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 a resource region

The following activities are ineligible for this credit:

- an activity related to pulp, paper or paperboard manufacturing;
- an activity related to the primary processing of wood, metals or non-metallic minerals;
- an activity that consists in manufacturing or processing finished or semi-finished products from peat or slate and that is carried on by a corporation in the Bas-Saint-Laurent or Côte-Nord region;
- an activity that consists in manufacturing or processing alcoholic beverages;
- a food manufacturing or processing activity that is carried on in restaurants, hotels, shopping centre fast-food outlets, supermarkets, grocery stores or other similar commercial establishments;
- a maintenance or repair activity;
- a scientific research and experimental development activity;
- an activity related to the sawing of logs or bolts to produce timber or similar products, such as boards, dimension lumber, poles and ties, an activity that takes place before logs are delivered to a sawmill or any other place for processing logs, or an activity related to the production of timber or similar products;
- an activity relating to the development of wildlife resources;
- an installation activity, such as an activity involved in the installation of factory-built houses, steel joists, ventilation ducts, electrical systems or kitchen cabinets.

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 purpose of the criterion regarding the creation of three full-time jobs and the tax elections made¹.

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

¹ Elections regarding the investment tax credit or the old system at the 30% rate.

- an amalgamation of corporations;
- the winding-up of a wholly owned subsidiary² 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. It is calculated as follows³:

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

The rate of the credit and the calendar years for which the eligible corporation may claim the tax assistance depend on the resource region where the recognized business is carried on.

Please note that the following rates take into account the 20% reduction in the tax credit announced in the 2014–2015 Budget Speech of June 4, 2014:

Regions and territories covered	Calendar years of eligibility			
	2012	2013	2014	2015
Eastern Bas-Saint-Laurent				
Matapédia, Matane and La Mitis	10%	10%	9%	8%
Western Bas-Saint-Laurent				
Rivière-du-Loup, Rimouski-Neigette, Témiscouata, Kamouraska and Les Basques	10%	-	-	-
Mauricie				
La Tuque, Mékinac and Shawinigan	10%	10%	9%	8%
Trois-Rivières, Maskinongé and Les Chenaux	10%	-	-	-
Saguenay–Lac-Saint-Jean				
Le Domaine-du-Roy, Maria-Chapdelaine and Fjord-du-Saguenay	10%	10%	9%	8%
Saguenay and Lac-Saint-Jean-Est	10%	-	-	-

² 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.

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 in particular.

Other resource regions

Antoine-Labelle (Laurentides) as well as La Vallée-de-la-Gatineau and Pontiac (Outaouais)	10%	10%	9%	8%
Côte-Nord	10%	10%	9%	8%
Nord-du-Québec	10%	10%	9%	8%
Abitibi-Témiscamingue	10%	10%	9%	8%

Special rules apply when an eligible corporation, as the case may be:

- has both an establishment in a resource 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, partnership or person (transfer of activities from one person to another), as well as in the event of an amalgamation or winding-up of corporations.

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.

ELIGIBILITY PERIOD

The Refundable Tax Credit for Processing Operations in Resource Regions is available through the end of calendar year 2012 or 2015, depending on the region. (See the Credit Rate section for more information.)

CANCELLATION FOR MAJOR UNFORESEEN INCIDENTS

In the event of a major unforeseen incident⁴, 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.

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

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.

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

It is no longer possible for a new corporation to obtain an initial qualification certificate, except for a corporation that results from a reorganization involving a corporation that is eligible for the Tax Credit for Processing Operations in Resource Regions. In that case, the corporation that resulted from the reorganization must submit its initial application to Investissement Québec by sending in the appropriate form accompanied by the required documentation, namely 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 advisors.

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. The tax credit is taxable.

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

- the form prescribed by Revenu Québec regarding the Tax Credit for Processing Operations in Resource Regions;
- the initial qualification certificate and 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. 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 corporation must also satisfy the eligibility criteria, which are verified by Revenu Québec, and in particular the rules regarding the deadline for filing applications for certificates. These documents must be filed within 18 months following the end of the corporation's fiscal year. If Revenu Québec does not receive the applications within the 18-month period, the credit will be refused. However, certain exceptions apply:

- If the corporation obtained its certificates after the 15th day preceding the expiration of the 18-month period and filed its application for a business qualification certificate and an employee 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 business qualification certificate and an employee certificate is filed with Investissement Québec **after the end of the 15th month following the end of the corporation'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 corporation 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 corporation's fiscal year, the corporation may 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 required information and be accompanied by all required documents, including the information and 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

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

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 Processing Operations in Resource Regions.

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 11 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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