



## TAX MEASURES

# TAX CREDIT FOR THE DEVELOPMENT OF E-BUSINESS

IF YOU ARE CONDUCTING E-BUSINESS ACTIVITIES IN THE IT SECTOR, YOU MAY BE ENTITLED TO A TAX CREDIT. FIND OUT MORE!

This tax measure is designed to consolidate the development of information technologies (IT) throughout Québec. It enables specialized corporations that carry out innovative, high-value-added activities in the IT sector to obtain a **tax credit of an annual maximum of \$25,000 per eligible employee.**

## Details of Tax Assistance

### Credit Rate

The tax credit is equal to **30%** (24% refundable and 6% non-refundable) of the **eligible salaries** paid by the corporation to eligible employees.

## Eligibility Criteria

### Eligible Corporations

Your corporation may be eligible if the activities it carries out are primarily in the fields of information system design or software publishing and they are carried out in an establishment in Québec.

Your corporation must show:

- that at least 75% of its activities are in the IT sector<sup>1</sup> and that at least 50% of these activities are covered by NAICS codes 541514, 541515, 511211, 511212 and, under certain conditions, 561320 and 561330, for the taxation year covered by the eligibility certificate application or for the prior taxation year;
- that at least 75% of its activities covered by NAICS codes 541514, 541515, 511211, 511212, 561320 and 561330 include services ultimately provided to persons with whom it is at arm's length or services relating to applications developed by the corporation that are used exclusively outside Québec;

<sup>1</sup> Activities in the IT sector mean activities covered by codes 334110, 334220, 334410, 417310, 443144, 511211, 511212, 51821, 541514, 541515 and, under certain conditions, 561320 and 561330 of the North American Industry Classification System (NAICS) 2012.

- › that it maintained, at all times, for a given taxation year, a minimum of six eligible full-time employees; however, specific rules apply to transfers of activities and business start-ups in Québec.

## Eligible Employees

To be eligible, an employee must hold a full-time job and devote at least 75% of his or her time to carrying out, supervising or directly supporting work relating to the execution of an eligible activity.

## Eligible Activities

- › IT consulting services relating to technology, systems development, or e-business processes and solutions that a corporation performs for a person insofar as the consulting services are related to the development, integration, maintenance or evolution of information systems or technology infrastructure, the design or development of e-commerce solutions, or the development of security and identification services that may be performed for that person.
- › Development and integration as well as maintenance and evolution of:
  - information systems (for instance, distribution packages, software and computer programs);
  - technology infrastructure (for instance, technology architecture upgrading and integration of hardware and software components).
- › Design and development of e-commerce solutions allowing for monetary transactions between the person on whose behalf this design or development was done and that person's customers.
- › Development of security and identification services (for instance, electronic imaging, artificial intelligence and interface) relating to e-commerce activities (for instance, security over Internet networks).

## Examples of Excluded Activities

- › Operation of an e-business solution (for instance, processing of electronic transactions over a transactional website)
- › Management or operation of information systems, applications or infrastructures arising from e-commerce activities
- › Operation of a customer relations centre
- › Hardware installation and training activities
- › Activities not related to e-business
- › Administrative tasks
- › Activities related to a marketing information system and designed to increase a corporation's visibility and promote its goods and services to current or potential customers

## Eligible Salaries

The eligible salary refers to employment income generally calculated pursuant to the Québec *Taxation Act*. It is the salary paid to an eligible employee, up to an annual limit of \$83,333.

## Specific Requirements

To be entitled to the tax credit, your corporation must obtain a corporation certificate and an employee certificate from Investissement Québec every year.

## Fees

Fees are charged for the analysis of all eligibility certificate applications. For more information, contact an Investissement Québec advisor or see the rates schedule on our website.

## Procedure

**Step 1** › Contact an Investissement Québec advisor, who will answer your questions and tell you where to get a copy of the application for an eligibility certificate on our website.

**Step 2** › Complete the application for a corporation certificate and an employee certificate for the taxation year in question and send it to Investissement Québec for review.

You may also apply for financing for refundable tax credits.