



TAX CREDIT TO SUPPORT DIGITAL TRANSFORMATION IN PRINT MEDIA COMPANIES

INVESTISSEMENT QUÉBEC

Tax Measures Department

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Tax Credit to Support Digital Transformation in Print Media Companies

The Refundable Tax Credit to Support Digital Conversion in Print Media Companies (CTNP) is designed to help safeguard Québec's print media and maintain production of original written content on news of general interest specifically intended for Quebec's population.

As print media companies face stiff competition from the giants on the Web that captures a significant portion of advertising revenues, it is important to support them in initiating or continuing the digital conversion of their business models.

NATURE OF THE TAX MEASURE

This is basically a refundable tax credit¹ equivalent to **35% of all reasonable qualified digital conversion costs incurred**, after March 27, 2018, by an eligible corporation² or an eligible partnership.³ These digital conversion costs are the total amounts paid by the corporation in the taxation year for the qualified wages of its eligible employees and expenditures related to an eligible digital conversion contract.⁴

An eligible corporation will be able to benefit from this tax credit until December 31, 2023, inclusively, except for a contract relating to the acquisition of an eligible asset, which must be acquired before January 1, 2023, in order to qualify for the tax credit.

The tax credit is subject to an annual \$20-million cap on qualified digital conversion costs applicable to each taxation year (maximum annual amount of the tax credit: \$7 million).

In addition, where an eligible corporation is associated with one or more other companies in a taxation year, the cumulative balance of the qualified digital conversion costs must be determined by taking into account the qualified digital conversion costs of the companies with which it is associated.

ELIGIBLE CORPORATIONS

An eligible corporation is a company, other than an excluded corporation, or a partnership, that has an establishment in Québec where it carries on a business and holds an eligibility certificate issued by Investissement Québec, called a "Media Certificate", indicating the eligible media(s) that it has produced and published for the taxation year.

Under the *Taxation Act*, an excluded (or "exempt") corporation, for the taxation year, means:

- A corporation that is exempt from income taxes for the year;
- A Crown corporation or a wholly controlled subsidiary of such a corporation.

¹ A refundable tax credit means that the credit will be paid to the eligible corporation minus all taxes payable.

² A corporation, other than an excluded corporation, that is a member of an eligible partnership for a taxation year in which the partnership's fiscal year ends, receives the credit in proportion to its share of the income or loss of the qualifying partnership for the fiscal year in question.

³ The rules apply to a partnership with the necessary adjustments, subject to other provisions.

⁴ An expenditure related to an eligible digital conversion contract designates 80% of the portion of the corporation's expenditure related to the costs provided for in the contract.

To qualify for this tax credit, the corporation must obtain the following certifications for each taxation year:

- An eligibility certificate for each of the media produced and published that meets the applicable rules referred to as a “**Media Certificate**”;
- A certificate in respect of each employee for whom the corporation is claiming a tax credit referred to as an “**Employee Certificate**”;
- A certificate in respect of each digital conversion contract for which it is claiming a tax credit referred to as a “**Digital Conversion Contract Certificate**.”

MEDIA CERTIFICATE

To be eligible, the media must meet the following conditions:

- It must be produced and published daily or periodically (**at least 10 times a year**) by the corporation in the form of a print publication, a website or an information-only mobile application.
- For the first application, the corporation will have to demonstrate that it has been produced and published **for at least 12 months prior to the filing of the application**.
- It must disseminate **original written information content** relating to news of general interest **specifically addressing** Quebec’s population and **covering at least three of the following seven news topics**: politics, municipal international cultural business and economy, as well as local interest, and miscellaneous.
- The media’s **newsroom** must be located in the **corporation’s establishment located in Québec** and be composed of journalists **responsible for the original written informational content** including reports, portraits or interviews, news analysis, regular columns, investigative reports and editorials.

Ineligible Media

The following are not considered original written information content:

- Content from a news agency or another media;
- Specialized content relating to a specific type of personal, recreational or professional activities intended specifically for a group, an association or a category of individuals;
- Content for which remuneration is paid by a third party;
- Advertising or promotional content media such as advertorials;
- Thematic content media on specific subjects such as hunting and fishing, home décor or science, for example.

In addition, a print media that includes, **on an incidental basis**, excluded content described above may nevertheless be recognized as an eligible media.

EMPLOYEE CERTIFICATE

An Employee Certificate certifies that the individual concerned is recognized as an eligible employee of the corporation for the taxation year for which the application is made or for a part of a year indicated therein.

Eligible Employee

“Eligible employee,” for the taxation year, means an employee, **other than an excluded employee**, working primarily at an establishment in Québec of the eligible corporation for which Investissement Québec has issued an eligibility certificate confirming that the following conditions have been met:

- The employee holds a full-time job for the corporation involving a minimum of 26 hours of work a week, for an expected minimum of 40 weeks;
- At least 75% of the employee’s duties are devoted to carrying out, supervising or directly supporting eligible digital conversion activities for the eligible corporation.

In addition, when an individual is temporarily absent from work for reasonable cause (temporary illness or maternity leave, for example), Investissement Québec may, in order to determine whether the individual meets the conditions to be recognized as a an eligible employee, find that the employee continued to work and perform duties throughout this period of absence, exactly as the individual had been doing before the absence started.

Excluded Employee

The expression “excluded employee,” for the taxation year, means a designated shareholder of the corporation for that year or, where the employer is a partnership, a member of that partnership, a designated shareholder of such member, or an employee not dealing at arm’s length with the member of that partnership or the designated shareholder, as the case may be, for the fiscal year of that partnership.

Qualified Wages

The expression “qualified wages” of an eligible corporation, for the taxation year, refers to the wages calculated according to the *Taxation Act* and incurred during the year by the eligible corporation for an “eligible employee” for that same year.

Eligible Digital Conversion Activities

The eligible digital conversion activities of a print media company are activities related to the determinants of **productivity of that company** as opposed to operating activities.

Consequently, the term “**eligible digital conversion activities**” refers to the following activities:

- The development of information systems or the integration of technological infrastructures, as well as any activity related to the maintenance or evolution of such information systems or technological infrastructures, insofar as it is incidental to a development or integration activity.
- The design and development of solutions for interactive decision-support tools (business modelling), excluding the operation of such tools.
- The design and development of tools to provide an image of the current state of the corporation for data analysis (business intelligence) purposes, excluding the regular operation of such tools.

In addition, to be eligible, an activity must be directly related to the initiation or continuation of the digital conversion of the eligible media indicated on the annual eligibility certificate issued to the corporation.

Excluded Activities

The following activities are not considered eligible digital conversion activities:

- Management or operation of computer systems, applications or technological infrastructure;
- The operation of a customer relationship management service;
- The management or operation of a marketing information system aimed at increasing the visibility of the media and promoting it to current or potential customers;
- Any other activity of the same nature qualifying as a management or operating activity for the purposes of the eligible media.

More precisely, administrative tasks such as operations management, accounting, finance, legal affairs, public relations, communications, business prospecting and management of human and material resources will not be considered tasks involving an eligible digital conversion activity.

DIGITAL CONVERSION CONTRACT CERTIFICATE

“Eligible digital conversion contract,” for a given taxation year, means a contract that relates to one or more of the following:

- **The acquisition or lease of an eligible property:** this property consists of universal electronic data processing equipment and related operating software, including ancillary data processing equipment, as well as the required application software.

More precisely, to be eligible, this property must:

- **not have been used or purchased** or rented to be used or rented in any way **before** it is acquired or leased by the corporation;
 - be used by the eligible corporation **exclusively** to carry out eligible digital conversion activities that are attributable in whole or in part to an eligible media;
 - **be used for the first time** in the manner described above within a reasonable period of time following its acquisition and continue to be so used for a **minimum period of 730 days** from the time of its acquisition, unless the property ceases to be used due to its loss, its involuntary destruction caused by fire, theft or water, major breakage or obsolescence.
- **Supply of eligible services:** These services consist of eligible digital conversion activities attributable in whole or in part to eligible media.

In this respect, services rendered to the corporation under such an eligible digital conversion contract must be reasonably attributable to the wages paid to employees of a Québec establishment of the corporation or partnership that provides such services, or that could be paid if it had such employees.

- **Eligible right of use or licence:** A right of use or a licence in respect of another person's property will be eligible only if it is intended that this right of use or licence will be used in whole or in part by the eligible corporation to carry out digital conversion activities that relate to an eligible media.

Each of these elements will be eligible only if used to **initiate or continue** the digital conversion of an eligible media indicated on the eligibility certificate issued to the corporation and if it relates to or is used at the Québec establishment of the eligible corporation where it produces and publishes the eligible media.

OTHER TERMS OF APPLICATION

In order for an eligible corporation to qualify for this refundable tax credit, the qualified digital conversion expenses for a taxation year **must have been paid at the time of the application** for the refundable tax credit.

In addition, this refundable tax credit, or the part of it that is attributable to the acquisition of a qualified property by an eligible corporation, as the case may be, will be recovered by way of a special tax, according to the usual rules, if the eligible property is disposed of before the end of the 730-day period that began at the time of its acquisition, unless the property is disposed of due to loss, involuntary destruction caused by fire, theft or water, or major breakage.

A special tax will also apply, according to the usual rules, when an amount included in the eligible digital conversion expenses is subsequently refunded to the eligible corporation.

Finally, the tax legislation will be amended so that the corporation providing the eligible services nevertheless benefits from the refundable tax credit for the development of e-business as long as the conditions applicable to that tax credit have been met.

The refundable tax credit can be deducted from an eligible corporation's income tax instalment payments, according to the usual rules set out in the *Taxation Act*.

APPLICATION FOR REVIEW

A corporation that disagrees with a decision made by Investissement Québec may file an application for review within 60 days of being notified of that contested decision. To do so, it must send Investissement Québec the "Application for Review" form available on its website, at www.investquebec.com. To be accepted, the application for review must state new facts or information, and be accompanied with the payment of applicable fees.

AMENDMENT AND REVOCATION OF CERTIFICATE

Investissement Québec may amend or revoke a certificate if warranted by information or documents that have been brought to its attention.

In this case, Investissement Québec will notify the corporation in writing of its intention to amend or revoke the certificate and state the reasons for doing so. The corporation has 30 days from the date of the notice to present its arguments and file any relevant documents.

Note that it is important to inform Investissement Québec of any change that may result in an amendment or revocation.

Moreover, if a corporation has received a tax credit when it should not have received it in whole or in part, Revenu Québec will recover the amount of the overpayment by means of a special tax.

PENALTIES

Anyone who provides false or incorrect information or impedes the work of an Investissement Québec representative in his or her duties is guilty of an offence. In such a case, the person is liable to a fine of not less than \$2,000 and not more than \$25,000.

APPLICATION FOR ELIGIBILITY AND CLAIMING OF TAX CREDIT

The application for the tax credit and its calculation are made at the end of the taxation year, at the time the corporation files its income tax return with Revenu Québec. In order to qualify for this tax credit for a given taxation year, an eligible corporation must attach to its tax return:

- The form (CO-1029.8.36.PR) prescribed by Revenu Québec relating to the Digital Conversion in Print Media Companies tax credit;
- The Media Certificate issued by Investissement Québec in respect of eligible media(s);
- The Employee Certificate issued by Investissement Québec in respect of eligible employees;
- The Digital conversion Contract Certificate issued by Investissement Québec in respect of eligible contracts.

To apply for certification of media, employee and contract, the corporation must complete the prescribed form available on the Investissement Québec website. The issuance of a certificate does not guarantee that the tax credit will be granted. Under the *Act respecting the sectoral parameters of certain fiscal measures*, the corporation must file its application for certification with Investissement Québec by the last day of the fifteenth (15th) month following the end of the corporation's fiscal year.

If an application for certification is filed after that date, but before the expiration of the 18th month following the end of the corporation's fiscal year, Investissement Québec may, at its discretion, grant the application for an eligibility certificate if it deems the reasons for the delay to be reasonable and to justify late filing.

However, an application for certification submitted to Investissement Québec after the 18-month period has expired will be rejected.

Consequently, we strongly recommend that you submit the application for certification before the end of the fifteenth (15th) month following the end of the corporation's fiscal year.

Furthermore, only complete applications will be processed. To be considered complete by Investissement Québec, the application for a media, employee and contract certificate must be duly signed and completed and include all appendices. It must contain all the prescribed information and be accompanied by all the documents requested in the appendices.

Filing of Documents with Revenu Québec

The corporation must submit its application for a tax credit and the relevant eligibility certificates to Revenu Québec by the later of the following dates:

- The last day of the 18th month following the end of the corporation's fiscal year in question;
- The last day of the three (3) month period following the date on which the eligibility certificates were issued by Investissement Québec.

SITE VISIT

Investissement Québec reserves the right, at any time during the eligibility period, to visit the facilities of an eligible corporation. Therefore, the latter must agree to allow access to Investissement Québec representatives and to provide the information that they may require during the visit.

INTERACTION WITH OTHER TAX CREDITS, ASSISTANCE OR BENEFITS

Tax legislation contains rules designed to prevent the stacking of tax assistance in respect of an expenditure that may give rise to more than one tax credit, whether for more than one taxpayer or for the same taxpayer. These rules also apply to corporations that qualify for the tax credit to support the digital conversion of print media companies.

In addition, the cost of wages and expenses incurred by an eligible corporation in a particular taxation year must be reduced by the amount of any government or non-government assistance and any benefit or advantage attributable to such wages and expenses, according to the usual rules.

FEES

Investissement Québec charges fees for the analysis of any eligibility application or any application for review it administers. For more information, contact an Investissement Québec advisor or see the [fee schedule](#) available on the website.

PRECEDENCE OF LAWS

This fact sheet is a summary of the main provisions presented in Chapter 8 of the Act respecting the sectoral parameters of certain fiscal measures; the 2018–2019 Budget⁵, section regarding additional information on the fiscal measures of the Québec Economic Plan; Information Bulletin 2019-9⁶, and certain provisions contained in the Taxation Act. Other conditions may apply in some cases. Thus, this fact sheet does not constitute an interpretation by Investissement Québec of the legislative provisions pertaining to the fiscal measure. For more information, please see the various applicable laws.

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⁵ Budget tabled on March 27, 2018.

⁶ Information Bulletin 2019-9, “Tax Measures to Support Print Media Companies”, October 2, 2019, Finance Minister of Quebec.