



# **Refundable Tax Credit to Support Print Media Companies**

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**INVESTISSEMENT QUÉBEC**

Tax Measures Department

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# Tax Credit to Support Print Media Companies

The Refundable Tax Credit to Support Print Media Companies (CPIE) is designed to contribute more to safeguarding Québec's print media and maintaining their production of original written content on news of general interest specifically intended for Quebecers.

Since the traditional business model of periodicals and daily papers has been significantly affected by the digital revolution and, despite the measures already put in place, several print media companies are still facing significant financial difficulties, and the survival of some is at risk, a refundable tax credit to support print media companies has been introduced.

## NATURE OF THE TAX MEASURE

This is basically a refundable tax credit<sup>1</sup> equivalent to **35% of qualified wages incurred**, after December 31, 2018, by an eligible corporation<sup>2</sup> or an eligible partnership<sup>3</sup> **in respect of its eligible employees** for a taxation year or for the fiscal period ended in the corporation's taxation year.

In addition, the eligible corporation or partnership may claim for 2019 a refundable tax credit calculated at a rate of 35% on an amount equal to its **eligible expense for work that it has performed on its behalf** in Québec by a corporation in which it holds all the issued shares of each class of shares of the capital stock ("**eligible subsidiary**").

## 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 that it has produced and published for the taxation year.

Under the *Taxation Act*, an **excluded 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;
- a corporation that, in the taxation year or fiscal period, as the case may be, **carries on a broadcasting undertaking within the meaning of the *Broadcasting Act***.

## ELIGIBLE SUBSIDIARY

An eligible subsidiary of an eligible corporation, for a taxation year of the eligible corporation, means a corporation, other than an excluded subsidiary, **all of the issued shares of each class of shares of the capital stock of which are owned by the eligible corporation throughout the taxation year**.

Under the *Taxation Act*, an **excluded subsidiary**, for the taxation year, means:

- a corporation exempt from tax for the taxation year;

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

<sup>2</sup> 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 period ends, receives the credit in respect of its share of the qualified wages incurred by the qualifying partnership.

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

- a corporation that, in the taxation year, **carries on a broadcasting undertaking within the meaning of the *Broadcasting Act***;
- a corporation of which part of the services rendered or property sold to other persons or partnerships, for the taxation year, have been rendered or sold to persons or partnerships other than the qualified corporation of which it is an eligible subsidiary.

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**.”

## **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 Quebecers** and **covering at least three of the following seven news topics**: politics, municipal, international, cultural, business and economy, local interest and miscellaneous;
- The media’s **newsroom** must be located in the **corporation’s establishment located in Canada where an eligible media is produced and published** and be composed of journalists **responsible for the original written information 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 company;
- Specialized content relating to a specific type of personal, recreational or professional activity 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.

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 eligible corporation or its eligible subsidiary 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 of the eligible corporation in Québec or elsewhere in Canada or working primarily at an establishment of the eligible subsidiary in Québec for which Investissement Québec has issued an eligibility certificate confirming that the following conditions have been met:

An eligible employee of the corporation is an employee

- Who 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 or directly supervising activities related to **the production of original written information content** for dissemination in an eligible media by the corporation or the **carrying out of information technology activities relating to the production or dissemination of such content**;
- The employee reports for work at an establishment situated in Québec of the eligible corporation

or

The employee reports for work at an establishment situated in Canada outside Québec of the eligible corporation **provided that at least 75%** of the total number of eligible employees report for work at an establishment situated in Québec.

An eligible employee of an eligible subsidiary is an employee

- Who holds a **full-time job** for the subsidiary 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 or directly supervising work performed on behalf of the eligible corporation in respect of the **carrying out of information technology activities relating to the production or dissemination of original written information content** for dissemination in one of the corporation’s eligible media;
- The employee reports for work at an establishment situated in Québec of the eligible subsidiary.

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 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

An excluded employee, at a given period of time, means:

- Where the employer is a corporation, an employee who, at that time, is a specified shareholder of that corporation or, where that corporation is a cooperative, a specified member of that corporation;
- Where the employer is a partnership or where the eligible subsidiary is an eligible subsidiary of an eligible partnership, an employee who, at that time, is either a member of the partnership or an employee not dealing at arm's length with the member of the partnership, or a specified shareholder or specified member, as the case may be, of that member.

A specified member, at a given period of time, of a corporation that is a cooperative means a member having, directly or indirectly, at that time, at least 10% of the votes at a meeting of the members of the cooperative or a person not dealing at arm's length with that specified member.

### **Eligible Activities**

For purposes of qualifying an employee as an eligible employee, "eligible activities" means activities related to the **production of original written information content** for dissemination in an eligible media or the **carrying out of information technology activities** relating to the production or dissemination of such content.

For greater clarity, the **production of original written information content includes:**

- research
- information gathering
- fact checking
- photography
- writing
- editing
- design
- other content-preparation activities

Similarly, the following constitute an **information technology activity:**

- management or operation of computer systems, applications or technology infrastructure;
- operation of a customer relations management service;
- management or operation of a marketing information system designed to raise the visibility of the media and promote it to an existing or potential clientele;
- any other activity of a similar nature that could be called a management or operating activity for the purposes of the eligible media.

### **Excluded Activities**

The following activities are not considered as part of the functions of undertaking or supervising activities related to the production of original written information content or the carrying out of information technology activities:

- Tasks related to **digital conversion activities of a print media** that are covered and described for purposes of the Tax Credit to Support Digital Transformation in Print Media Companies (CTNP);
- **Administrative tasks** such as operations management, accounting, finance, legal affairs, public relations, communications, contract prospecting, and human and material resources management.

## 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 after December 31, 2018, by the eligible corporation, for part or all of the taxation year, for an “eligible employee” for that same year.

In addition, the qualified wages per employee are limited to an amount of \$75,000, calculated annually based on the number of days in the taxation year or fiscal period in which the employee qualified as an eligible employee of the corporation. Thus, the tax credit cannot exceed \$26,250 per eligible employee.

However, when the taxation year of the eligible corporation includes January 1, 2019, the qualified wages incurred in respect of an eligible employee, for that taxation year, may not exceed the product obtained by multiplying \$75,000 by the ratio between the number of days in the taxation year after December 31, 2018, during which the employee qualified as an eligible employee of the corporation over 365 days.

## ELIGIBLE EXPENSE

The expression “eligible expense” of an eligible corporation, for a taxation year, means the portion of the consideration paid by the eligible corporation to its eligible subsidiary for work carried out on its behalf relating to information technology activities in connection with the production or dissemination of original written information content for dissemination purposes in an eligible media of the eligible corporation, **in the period** included in the eligible corporation’s taxation year, **beginning after December 31, 2018 and ending before January 1, 2020**, that can **reasonably be attributed to wages incurred and paid by the eligible subsidiary** in respect of its eligible employees.

In this regard, the wages that the eligible subsidiary has incurred and paid in respect of each eligible employee that will be taken into account in calculating the portion of the consideration paid by an eligible corporation for work performed on its behalf in connection with information technology activities may not exceed an amount equal to the product of multiplying \$75,000 by the number of days in the eligible corporation’s taxation year, after December 31, 2018, but before January 1, 2020, during which the employee qualifies as an eligible employee of the eligible subsidiary, over 365 days.

Moreover, the wages incurred and paid by an eligible subsidiary in respect of an eligible employee will mean the wages calculated in accordance with the *Taxation Act* that the eligible subsidiary will incur and pay with respect to this employee.

## OTHER TERMS OF APPLICATION

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

The refundable tax credit can be deducted from an eligible corporation’s income tax and capital 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 the [www.investquebec.com](http://www.investquebec.com) website. To be admissible, the application for review must set out new facts or information and must be accompanied by payment of the applicable fees indicated in the rate schedule.

## **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.PS) prescribed by Revenu Québec relating to the tax credit;
- The Media Certificate issued by Investissement Québec in respect of eligible media;
- The Employee Certificate issued by Investissement Québec in respect of eligible employees.

To apply for certification of media and employees, 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 later of the last day of the 15th month following the end of the corporation's fiscal year and September 17, 2020.

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 later of the end of the 15th month following the end of the corporation's fiscal year and September 17, 2020.

Furthermore, only complete applications will be processed. To be considered complete by Investissement Québec, the application for media and employee certificates 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 by the latest 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-month period following the date on which the eligibility certificates were issued by Investissement Québec;
- December 17, 2020.

### **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. However, government or non-government assistance will not include an amount deemed to have been paid on account of federal income tax for a taxation year under the refundable labour tax credit granted to qualifying journalism organizations.<sup>4</sup>

Furthermore, the portion of the consideration paid that is included in the eligible expense must be reduced by the amount of any government or non-government assistance and any benefit or advantage that is attributable to wages incurred and paid by the eligible subsidiary to eligible employees, 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 [rate schedule](#) available on the website.

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<sup>4</sup> *Income Tax Act*, subsection 125.6 (2).

## **PRECEDENCE OF LAWS**

*This fact sheet is a summary of the main provisions set out in Information Bulletin 2019-9 of October 2, 2019,<sup>5</sup> and Information Bulletin 2019-11 of December 16, 2019,<sup>6</sup> in relation to the sectoral parameters of this tax measure 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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<sup>5</sup> Ministère des Finances du Québec: *Information Bulletin 2019-9* of October 2, 2019.

<sup>6</sup> Ministère des Finances du Québec: *Information Bulletin 2019-11* of December 16, 2019.