

Taxation in Québec

Favourable Measures to Foster Investment 2022

Palais des congrès de Montréal, Québe







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Intended especially for foreign companies considering investing in Québec, *Taxation in Québec:*Favourable Measures to Foster Investment provides an overview of the principal tax measures that apply to companies operating in Québec.

In addition to very attractive tax measures, Québec has given Investissement Québec specific tools that enable it to act as a financial partner to businesses. This brochure focuses on tax issues. However, Investissement Québec provides businesses with a range of financial solutions that complement those offered by financial institutions. These solutions may include conventional loans, loan guarantees, non-refundable contributions or equity interests. Further information about these financial products can be obtained from Investissement Québec at 1844 474-6367 or by logging on to investquebec.com.

The information in this brochure was up to date as at June 23, 2022, and does not reflect any modifications that might have been announced subsequent to that date. Monetary amounts are expressed in Canadian dollars.

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A foreign corporation carrying on business in Québec is subject to Canadian and Québec income taxes on business income earned in Québec. Like the federal government, the Québec government administers and collects its own personal and corporate income taxes. In general, taxable income is computed the same way under both systems; however, Québec uses its tax system to provide businesses with incentives to stimulate the Québec economy. As a result, there are numerous tax measures that can be used as a source of financing.

## **CARRYING ON BUSINESS**

Foreign investors wanting to carry on business in Québec can incorporate their business or set up a branch. A corporation is a separate legal entity that can be incorporated under the *Canada Business Corporations Act* or the *Companies Act* (Québec). A branch is a commercial establishment that is part of a corporation.

While, as a general rule, non-residents of Canada carry on business here through incorporated subsidiaries of foreign corporations, a large number do in fact use branches. The type of entity used to carry on business in Québec depends on the related legal, tax, economic and commercial consequences.<sup>1</sup>

This brochure focuses primarily on tax measures applying to corporations carrying on business in Canada.

Particular attention should be paid to how Québec operations are financed so as not to run afoul of rules that may limit interest deductibility in Canada. The analysis must therefore take account of transfer pricing rules regarding the level of debt and interest that may be charged and thin capitalization rules that limit interest deduction on a corporation's debt owing to certain non-resident persons when the debt is more than one and a half times the amount of the corporation's equity. For purposes of the application of the debt/equity ratio to a Canadian branch of a non-resident corporation or trust, the branch's equity is generally deemed to correspond to 40% of the excess of the cost of goods used in the branch's business over the amount of debt attributed to the branch. Moreover, the federal government plans to implement new rules to limit to a certain proportion of earnings the amount of interest and other financing expenses that businesses can deduct for tax purposes. These "excessive interest and financing expenses limitation" (EIFEL) rules, which are expected to come into force in 2023, would apply along with the existing thin capitalization rules.

#### NON-RESIDENT INCOME TAX

## **Carrying on Business Through a Corporation**

In Canada, a Canadian resident corporation (according to the mind and management concept) or a corporation incorporated under Canadian law is taxed on its worldwide income from all sources independently from its shareholders. Federal non-resident tax must be withheld on any amount paid by the corporation to non-residents for dividends, interest, royalties or management or administration fees.

The general withholding rate is 25%, but it may be reduced or eliminated under a tax treaty signed by Canada and the country of residence for taxation purposes of the recipient of the payment. Canada has signed more than 90 tax treaties that eliminate or reduce the withholding rate, which may range from 0% to 15%, depending on the type of payment and the country in question. For example, several of these treaties reduce the tax withheld on dividends paid to non-resident foreign corporations to 5% if they are the recipient of the dividend and own at least 10% of the Canadian corporation's voting rights. The Canada–U.S. Tax Convention is another example: it sets the withholding rate on interest paid to a U.S. recipient at 0%, whereas many tax treaties set it at 10%.

Tax treaties may include a mechanism to suspend the benefits of the treaty when the recipient of the payment does not hold effective ownership of the amount paid or is not an eligible person. In addition, following the adoption of the Multilateral Convention,<sup>2</sup> the benefits of a tax treaty may be reviewed if one of the main objectives of tax planning is to obtain tax benefits.<sup>3</sup>

Tax compliance obligations may also apply to a Canadian corporation that takes part in operations with foreign entities, particularly the obligation to file certain information returns.<sup>4</sup>

## **Carrying on Business Through a Branch**

A foreign corporation that carries on business in Canada through a branch is subject to corporate income tax in Canada on its taxable income attributable to that establishment (combined federal and Québec rates: 26.5%). In addition to corporate income tax, a branch tax is payable, equal to 25% of the after-tax earnings not reinvested in the Canadian business. Branch tax is comparable to the dividend withholding tax that would be paid if a Canadian corporation repatriated profits as dividends paid to its non-resident shareholder. Once again, the branch tax rate may be lower when there is a tax treaty between Canada and the recipient's country of residence for tax purposes. For example, the Canada–U.S. Tax Convention reduces the rate to 5% and also exempts the first \$500,000 of income earned in Canada.

<sup>&</sup>lt;sup>2</sup> The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting is the outcome of the OECD project to combat base erosion and profit shifting (BEPS Project).

Most of the clauses implementing these mechanisms were introduced through the Multilateral Convention. This tool is the outcome of a global initiative involving more than 100 jurisdictions, including Canada. It enables the nearly 90 participating jurisdictions to implement tax measures to control the erosion of the tax base and the shifting of profits without having to renegotiate each of their tax treaties bilaterally. The multilateral instrument came into force in Canada on December 1, 2019. Nevertheless, the process of ratification and coming into force is not complete in all countries and is still under way. Each case must be subject to a specific analysis.

<sup>&</sup>lt;sup>4</sup> T106 – Information Return of Non-Arm's Length Transactions with Non-Residents and NR4 – Statement of Amounts Paid or Credited to Non-Residents of Canada.

## Withholding and Branch Tax Rates Based on Tax Treaties

The following table indicates the rates for the non-resident withholding tax on different types of payments from Canada and the branch tax for countries with which Canada has signed a tax treaty.

Non-Resident Withholding Tax Rate (2022)					
	Dividend <sup>1</sup>	Interest <sup>2</sup>	Royalty <sup>3</sup>	Management Fee⁴	Branch Tax
United States	5% or 15%	0%	0% or 10%	0%	5%
France	5%, 10% or 15%	10%	0% or 10%	0%	5%
United Kingdom	5% or 15%	10%	0% or 10%	0%	5%
Ireland	5% or 15%	10%	0% or 10%	0%	5%
Germany	5% or 15%	10%	0% or 10%	0%	5%

<sup>1</sup> Varies according to percentage of share ownership, duration of holding and type of entity that owns the shares.

## INVESTMENT CANADA ACT

Pursuant to the *Investment Canada Act*, the incorporation of new Canadian businesses and acquisition of control of existing Canadian businesses by foreign investors require the filing of a notification or a request for review by the federal authorities, unless an exemption is granted.

Except as exempted, a notification must be filed each time a foreign investor incorporates a new business in Canada and each time an investor acquires control of an existing Canadian business, unless the investment is a reviewable transaction. There are several variables that determine whether an investment is reviewable, including the value of the assets of the Canadian business over which the foreign investor is acquiring control. For additional information, contact the Investment Review Division of Investment Canada.<sup>5</sup>

<sup>&</sup>lt;sup>2</sup> No withholding for payments at arm's length, under Canadian tax legislation.

<sup>&</sup>lt;sup>3</sup> Varies according to nature of royalty payments.

<sup>&</sup>lt;sup>4</sup> No withholding if services are rendered in the country of the recipient of the amounts paid and the service supplier has no permanent establishment in Canada.

Investment Review Division at 343 291-1887. Complete information can be found on the website concerning the *Investment Canada Act* at www.ic.gc.ca.



A corporation that carries on business in Québec is subject to a combined general tax rate of 26.5%: 11.5% provincial and 15% federal. However, many corporations are entitled to various tax incentives, such as tax credits and tax holidays, which are described in Section 3.

## **TAXABLE INCOME**

The starting point for determining a corporation's taxable income is the net income reported in its financial statements. Certain items then have to be added or deducted in order to comply with the tax laws. There are two types of differences between accounting income and taxable income. The first type includes certain accounting income or loss items not recognized for tax purposes in Canada, e.g. the non-taxable portion of capital gains. The second one includes timing differences with respect to the recognition of revenues and expenses for accounting and tax purposes, e.g. depreciation.

## **Capital Gains**

In Canada, only 50% of the profit (capital gain) realized on the disposition of a property is included in a corporation's taxable income. Similarly, only 50% of capital losses are deductible. Furthermore, capital losses can only be deducted against capital gains. Capital losses that have not been deducted can be carried forward indefinitely to subsequent years or carried back to the three preceding years and applied against capital gains of those years.

# **Depreciation**

The tax deduction for depreciation is optional and is usually more generous than what is allowed by accounting principles. In most cases, depreciation rates are the same for federal and provincial purposes. Both governments have agreed to regularly review depreciation rates on the basis that improving the depreciation rate structure will increase business productivity.

In Canada, depreciable property is grouped into classes for which there are specific depreciation rates. Depreciation is calculated on the residual balance for the class, which means the amount that can be claimed is higher in the initial years.

The following table shows the most frequently used depreciation rates for federal and Québec purposes for 2022.

Type of Property	Federal and Québec¹ (% of Residual Balance)
Buildings used for manufacturing and processing	1O <sup>2</sup>
Other non-residential buildings	6 <sup>2</sup>
Automobiles, pick-up trucks, trucks, tractors, trailers <sup>3, 4</sup>	30
Certain trucks used to carry merchandise <sup>3,4</sup>	4O <sup>5</sup>
Computers and related equipment <sup>4, 6</sup>	55 <sup>7</sup>
Infrastructure equipment for data systems <sup>4,8</sup>	30
Software	100
Manufacturing machinery and equipment	100°
Furniture and fixtures <sup>4</sup>	20
Patent (limited or unlimited life) <sup>4</sup>	25
Licence or permit (limited life) <sup>4</sup>	Straight-line <sup>10, 11</sup>
Licence or permit (unlimited life) <sup>4</sup>	5 <sup>11</sup>

- For federal and Québec purposes, assets are generally grouped by class and depreciation is calculated on the balance for the class. An asset cannot be depreciated for tax purposes before the earlier of the date it is used or 24 months after it has been acquired. Moreover, acquisitions during the year are generally only eligible for one-half of the available deduction; however, this measure is suspended for assets acquired after November 20, 2018, and available for use before 2028. Finally, assets acquired after November 20, 2018, and available for use before 2024 qualify for an enhanced allowance in the first year, corresponding to 150% of the deduction normally granted based on the rate applicable to the class.
- <sup>2</sup> 4% for assets that do not qualify for the enhanced rate.
- <sup>3</sup> Zero-emission vehicles are 100% deductible in the first year.
- 4 100% for property acquired after April 18, 2021, by a Canadian-controlled private corporation (CCPC) that becomes available for use before 2024, up to an annual ceiling of \$1.5 million to be shared among associated corporations. The measure is expanded to goods acquired after 2021 by a partnership composed of individuals and/or CCPCs.
- <sup>5</sup> In Québec, 60% for new vehicles.
- Related equipment includes system software, i.e. the general systems that make it possible to run applications and manage and coordinate the various computer operations, in particular the inputting and extraction exercises between the keyboard, screen, printer, disk drives and peripheral equipment.
- In Québec, 100% for assets available for use before 2024. Additional allowance in Québec equal to 30% of the depreciation allowance claimed in the previous year for new assets.
- Data system infrastructure supports advanced telecommunications applications, such as email, Web research and hosting, instant message handling and audio and video functions based on the Internet protocol.
- For assets available for use before 2024 (rate reduced to 75% for assets available for use in 2024 and 2025 and 55% in 2026 and 2027). Additional allowance in Québec equal to 30% of the depreciation allowance claimed in the previous year for new assets.
- Depreciable over the useful life of the licence or permit.
- <sup>11</sup> In Québec, 100% for "qualified intellectual property" available for use before 2024, as well as an additional allowance equal to 30% of the depreciation allowance claimed in the previous year.

## **TAX RATES**

## **Tax Rates in Canada**

A corporation that carries on business in Canada is subject to federal and provincial corporate income tax. Consequently, the corporation has to allocate its income among the provinces where it has an establishment. For federal and Québec purposes, the tax rate on a corporation's business income varies depending on whether the corporation is eligible for the small business deduction (SBD). The basic tax rate is 15% for federal purposes. The rate is 9% on the first \$500,000 of active business income eligible for the SBD. In Québec, the basic rate is 11.5%, and 3.2% on the first \$500,000 eligible for the SBD.

To qualify for the SBD, a corporation has to, among other things, be a Canadian-controlled private corporation, i.e. a private corporation that is resident in Canada and of which at least 50% of the voting shares are owned by Canadian residents. It must also have a taxable capital and an adjusted investment income (including the taxable capital and adjusted investment income of its associated corporations) of less than \$15 million<sup>7</sup> and \$150,000, respectively. The combined tax rate for a corporation that carries on business in Québec is therefore 26.5%. The rate is 12.2% on its active business income eligible for the SBD.

In certain provinces, businesses that carry on manufacturing and processing activities, including manufacturing businesses, are subject to a lower tax rate on their manufacturing and processing profits (MPP).

The following table compares the basic tax rates on corporate business income for companies in Québec with certain Canadian provinces.

	Basic Tax Rate on Business Income (2022 Basic Tax Rate)				
		%	Combined %		
Federal		15.0			
Prov	incial				
•	Alberta	8.0	23.0		
British Columbia		12.0	27.0		
Manitoba		12.0	27.0		
New Brunswick		14.0	29.0		
Nova Scotia		14.0	29.0		
Ontario		11.5¹	26.5		
Québec		11.5	26.5		

<sup>&</sup>lt;sup>1</sup> The rate for manufacturing businesses is 10%.

<sup>&</sup>lt;sup>6</sup> As of 2022, a 50% rate reduction could apply to income from the manufacturing of zero-emission technologies (see the "Manufacturing Sector" section of this document).

The taxable capital must be less than \$50 million in the case of a taxation year starting after April 6, 2022.

#### **Tax Rates in the United States**

In the United States, the federal government, most of the states and even certain cities levy corporate income tax. The federal income tax rate is 21%. The following table shows the effective rates in a few U.S. states and cities, in effect in 2022.

Effective U.S. Corporate Tax Rates¹ (2022)					
	Federal <sup>2</sup> (%)	State (%)	Selected Cities (Certain States) (%)	Total (%)	Outside Reference City (%)
Alabama	19.64	6.50	_	26.14	-
California	19.14	8.84	_	27.98	_
North Carolina	20.48	2.50	_	22.98	-
South Carolina	19.95	5.00	_	24.95	_
Delaware	19.17	8.70	_	27.87	-
Florida	19.84	5.50	_	25.34	_
Georgia	19.79	5.75 <sup>3</sup>	_	25.54	_
Illinois	19.01	9.504	_	28.51	-
Massachusetts	19.32	8.005	_	27.32	-
Michigan	19.53	6.006	1.00 <sup>7</sup>	26.53	25.74
New Jersey	19.11	9.008	_	28.11	-
New York	17.38	6.50°	10.76 <sup>10</sup>	34.64	26.14
Ohio	20.48	0.0011	2.50 <sup>12</sup>	22.98	21.00
Pennsylvania	17.58	9.99	6.30 <sup>13</sup>	33.87	28.89
Tennessee	19.64	6.50	_	26.14	_
Texas	20.84	O.75 <sup>14</sup>	_	21.59	-
Virginia	19.74	6.00	_	25.74	_
Washington	21.00	<b>_</b> 15	_	21.00	_

Based on the basic corporate federal tax rate of 21%. This rate applies to all types of businesses (small, large, manufacturing and non-manufacturing). A notional deduction for exports by U.S. corporations may reduce the U.S. federal tax rate to 13.175%. The rates shown do not include business or other capital taxes. In addition, a minimum BEAT – Base Erosion and Anti-Abuse Tax, with a rate of 10% for 2019 to 2025, applies to corporations with average annual incomes from U.S. sources in excess of \$500 million. Moreover, some states apply a minimum tax.

- <sup>2</sup> State and city taxes are generally deductible from U.S. federal income tax.
- The rate will be increased to 6.00% as of January 1, 2026.
- <sup>4</sup> The corporate income tax rate is 7%. In addition, a tax on corporate capital of 2.5% applies to corporations other than "S corporations."
- $^{\rm 5}$  A tax on corporate capital calculated at the rate of 0.26% must be added to the 8.00% tax.
- <sup>6</sup> The state of Michigan levies a corporate income tax at the rate of 6.00%.
- Several cities in the state of Michigan levy an income tax, which is generally 1%. However, the cities of Saginaw and Grand Rapids levy taxes of 1.5%, whereas the city of Highland Park levies taxes of 2%.
- The rate indicated above applies to the taxable income exceeding \$100,000. Different rates apply to taxable income under \$100,000. A surtax of 2.5% is added to the 9% state tax if income exceeds \$1 million. This surtax will abolished as of 2024.
- 9 Taxpayers with taxable income greater than \$5 million are taxed at a rate of 7.25% until 2023.
- <sup>10</sup> A 29.40% surtax is applied to the state tax (6.5% or 7.25%) for the metropolitan New York area in addition to the 8.85% city rate. The three rates may not apply to all corporations.
- Income tax has been eliminated for most corporations. However, the Commercial Activity Tax applies to gross income, at a rate of 0.26% for gross income in excess of \$1 million, on top of the \$150 applicable to income between \$150,000 and \$1 million.
- Numerous cities in Ohio have a corporate income tax. The city rates vary between 0.5% and 2.53%. The rate shown above is for Cleveland. The tax rate for Dayton is 2.50%.
- Philadelphia. There is a 0.1415% tax on gross revenue in addition to income tax.
- The state imposes a Franchise Margin Tax at a rate of 0.75% (0.375% for retail and wholesale trade). The "Margin" equals the lesser of the following three margins: 1) total revenues minus cost of goods sold; 2) total revenues less remuneration; and 3) 70% of total revenues.
- There is no income tax. The state levies a tax on gross income called the B&O business and occupation tax. The rate ranges from 0.138% to 1.5%, depending on the kind of business.

#### **OPERATING LOSSES**

In computing its income for a year, a corporation can deduct operating losses incurred in the year up to the amount of its taxable income. Any unused loss can be carried back three years or forward 20 years.

Unlike other systems, including that of the U.S., Canada's tax system does not allow corporate groups to file consolidated tax returns. However, with proper planning, it may be possible to use operating losses within a corporate group.

## PAYROLL TAXES AND EMPLOYER OBLIGATIONS

As an employer, a corporation carrying on business in Québec must remit payroll taxes and assume certain other obligations in respect of its employees pursuant to the *Act respecting labour standards*.

Québec employers are subject to the following payroll taxes and obligations in 2022:

Payroll Taxes			
Québec Pension Plan	6.15% of earnings subject to contribution less a \$3,500 basic exemption (maximum earnings subject to contribution are \$64,900 per employee)		
Health Services Fund (HSF)	• 4.26% of total payroll <sup>1</sup>		
Occupational Health and Safety	The average contribution rate varies according to the type of business (maximum insurable is \$88,000 per employee)		
Labour Standards Commission	0.06% of payroll (maximum insurable is \$88,000 per employee)		
Employment Insurance	• 1.68% of insurable salary (maximum insurable is \$60,300 per employee)		
Québec Parental Insurance Plan	0.692% of insurable salary (maximum insurable is \$88,000 per employee)		
Training	Employers whose payroll in Québec exceeds \$2 million are required to spend 1% of their Québec payroll on employee training <sup>2</sup>		
Obligations Under the <i>Act respecting labour standards</i>			

Obligations Under the <i>Act respecting labour standards</i>			
Statutory holidays	• 8 days		
Days for family obligations or health reasons	• 2 days <sup>3</sup>		
Annual vacation	• 2 weeks after 1 year, 3 weeks after 3 years (i.e. 4% of annual income after 1 year and 6% of annual income after 3 years)		
Minimum wage	• \$14.25/hour (tip workers: \$11.40/hour) <sup>4</sup>		
Overtime	1.5 times the hourly rate after 40 hours/week		

- Contribution rate for an employer whose total payroll is greater than \$7 million is 4.26% (threshold indexed annually as of 2023). The total payroll used to determine an employer's contribution to the HSF takes into account the total wages paid by the employer and any associated employer worldwide. For corporations in the primary and manufacturing and processing sectors whose total payroll is equal to or less than \$1 million, the contribution rate is 1.25%, and when total payroll is between \$1 million and \$7 million, the rate varies between 1.25% and 4.26%. The contribution rate for employers in sectors other than the primary and manufacturing and processing sectors whose total payroll is equal to or less than \$1 million is 1.65%, and when total payroll is between \$1 million and \$7 million, the rate varies between 1.65% and 4.26%.
- In Québec, if an employer fails to spend 1% of its total payroll on training, it has to pay a contribution equal to the difference between 1% of its total payroll and the amount spent on training to the Workforce Skills Development and Recognition Fund. Employers who have a certificate attesting to the quality of their training initiatives (certificat de qualité des initiatives de formation) are not required to report their training initiatives annually to Revenu Québec.
- <sup>3</sup> If the employee has been working for the employer for at least 3 months.
- <sup>4</sup> Rates in force as of May 1, 2022.



In this era of globalization, corporations must be more creative than ever and seize every opportunity that comes their way. Management therefore has to identify not only business opportunities but also available sources of financing. The challenge is to optimize available tax measures while taking into account the corporation's tax, financial and commercial objectives.

The text below describes various corporate tax measures in two main areas: investment and job creation. They have been grouped under eight categories:

- Scientific research and experimental development;
- Manufacturing sector;
- Modernization of businesses by means of investment and innovation;
- · Natural resources sector;
- Development of e-business;
- Cultural industry and multimedia;
- · Financial services sector; and
- Other tax measures.

# **Eligibility**

As a general rule, corporations carrying on business in Québec or elsewhere in Canada and subsidiaries and branches of foreign corporations are eligible for the various tax measures described herein. However, certain tax measures are only available to private corporations or Canadian-controlled private corporations. A private corporation is a corporation that is resident in Canada and that is not a public corporation or a corporation controlled by one or more public corporations. A corporation is Canadian-controlled if Canadian residents own at least 50% of its voting shares. Thus, a non-resident corporation could incorporate a new corporation in collaboration with a Canadian corporation and obtain the tax benefits available to Canadian-controlled corporations.<sup>8</sup>

Québec tax credits cannot be accumulated in respect of a single activity. In addition, expenditures must be reduced by any government or non-government assistance received. The assistance given to an enterprise often depends on its size, taking into account all of the corporations in the same group.

The tax legislation provides for certain anti-avoidance rules intended, in particular, to limit the possibility of manipulating a corporation's status for the purpose of reducing income taxes payable in Canada or in a province.

<sup>9</sup> In general, expenditures and activities that are eligible for Québec tax measures do not include those that encourage violence, sexism or discrimination, that support an illegal activity, that are intended for an adult audience or that include explicit sex scenes.

To benefit from the different tax measures, a corporation generally has to file a form with its income tax return. Furthermore, any claim, whether in the form of a tax credit or a tax holiday, has to be certified by the tax authorities. In certain cases, corporations have to request visas, certificates or attestations of eligibility from the following government organizations or departments:

Organizations and Departments	Tax Measures	For Additional Information
Investissement Québec	<ul> <li>Synergy capital</li> <li>Development of e-business</li> <li>Gaspésie and certain maritime regions of Québec</li> <li>Multimedia titles</li> <li>Support for print media corporations</li> <li>Digital transformation of print media corporations</li> </ul>	1 844 474-6367 investquebec.com
Ministère de l'Économie et de l'Innovation	<ul> <li>Foreign researchers and specialists</li> <li>Design</li> <li>Maritime industry</li> <li>Scientific research and experimental development<sup>1</sup></li> </ul>	1 866 463-6642 economie.gouv.qc.ca
Ministère de l'Énergie et des Ressources naturelles	Biofuels (as of April 1, 2023)	1 866 248-6936 mern.gouv.qc.ca
Ministère des Finances	<ul><li>Financial services sector</li><li>Large investment projects</li></ul>	418 528-9323 finances.gouv.qc.ca
Société de développement des entreprises culturelles	Cultural industry	514 841-2200 sodec.gouv.qc.ca

The Minister issues eligibility visas for private partnership pre-competitive research projects as well as eligibility certificates for foreign researchers and specialists.

# SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

In an economy based on know-how and competitiveness, investment in scientific research and experimental development (R&D) is essential. There are considerable benefits to performing R&D in Québec because of the tax measures offered by the governments of Québec and Canada. The combined measures allow businesses to reduce their R&D costs significantly.

It is therefore not surprising that Canada, and in particular Québec, is recognized internationally as being one of the best locations for doing R&D.

#### What Is R&D?

A corporation is doing R&D when it does pure or applied research or experimental development and support work that satisfies the following three criteria:

#### Scientific or technological advancement

 The R&D must provide information that advances the understanding of scientific or technological relationships.

#### Scientific or technological uncertainty

 There must be uncertainty as to the methodology employed to resolve a problem or achieve objectives or results. Technological uncertainty therefore imposes a need for experimentation or analysis.

#### Scientific and technical content

The objectives of an R&D project must be formulated during the initial stages of the project. Moreover, the
method of experimentation or analysis to be followed to dissipate the scientific or technological uncertainties
must be clearly stated. The results of the R&D must be well documented.

#### **R&D Activities**

R&D often includes the following activities:

- Developing a prototype or modifying production equipment to improve its performance, reliability or precision:
- Using information technology to automate certain decision-making operations;
- Making modifications to a manufacturing process that go beyond current practice in the corporation's field of activity;
- Adapting a technology used in another field or designing one for a different application.

#### Non-R&D Activities

The R&D tax measures are not available to finance the following activities:

- Market research or sales promotion;
- Quality control or routine testing of materials, devices, products or processes;
- Research in social or human sciences;
- Prospecting, exploring or drilling for minerals, oil or natural gas and the production thereof;
- Commercial production of a material, device or new or improved product and the commercial use of a new or improved procedure;
- Style changes;
- Routine data collection.

#### **Tax Measures**

For tax purposes, a corporation that does R&D can deduct all of its current expenditures that it incurred as well as amounts paid to subcontractors relating to R&D activities performed on its behalf. It can also elect to defer the deduction for the expenditure indefinitely.

There are also generous tax credits that vary according to the corporation's status, size and taxable income. All the corporations in a group are taken into account in determining size and taxable income.

A business doing R&D will also find it easier to attract foreign researchers and specialists to Québec because of the tax holiday to which they are entitled.

#### **Québec Tax Credits**

In Québec, there are four refundable tax credits<sup>10</sup> to stimulate R&D:

- R&D salary: this is the main credit to encourage expenditures on salaries or subcontractor fees;
- University R&D: this credit is granted for research contracts signed with universities and eligible research centres:
- R&D consortium: this credit covers contributions paid to a research consortium in order to encourage businesses in different industries to work together to do research;
- R&D private partnership: this credit is for groups of private businesses doing pre-competitive research.

The following expenditures are eligible for these tax credits:

- Salaries of employees who worked directly on the project;
- One-half of the fees paid to a subcontractor at arm's length who performed R&D on behalf of the corporation in Québec:<sup>11</sup>
- 80% of the total eligible R&D expenditures incurred in connection with a research contract with a university or eligible research centre;<sup>12</sup>
- The portion of the contributions to a research consortium used for R&D activities;
- Expenditures made in connection with a private partnership pre-competitive research project.

#### **Basic Rate for Québec Tax Credits and Exclusion Threshold**

The basic rate<sup>13</sup> for all these tax credits is 14% of R&D expenditures. However, the first dollars that a corporation spends below the exclusion threshold are not eligible for the R&D salary tax credit. The annual exclusion threshold is \$50,000 for corporations whose previous-year assets<sup>14</sup> do not exceed \$50 million, and increases linearly up to \$225,000 when the previous-year assets are between \$50 million and \$75 million.

<sup>10</sup> The tax credit is always refundable, i.e. a corporation can receive its tax credit even if it did not pay any income tax.

<sup>&</sup>lt;sup>10</sup> For subcontractors who are not at arm's length, the expenditure amount eligible for the credit is limited to the R&D salaries paid by the subcontractor.

See Appendix 5.

<sup>&</sup>lt;sup>13</sup> SMBs benefit from an increased credit (see below in this section).

<sup>&</sup>lt;sup>14</sup> For the exclusion threshold, only the corporation's assets are considered, not the assets of the group of associated corporations.

#### **Enhanced Rate of Québec Tax Credit for SMBs**

The rate of the four tax credits for SMBs is 30% on the first \$3 million of eligible expenditures, <sup>15</sup> less the exclusion threshold amount, <sup>16</sup> which is the ceiling on eligible expenditures for the year. For this purpose, an SMB is a Canadian-controlled private corporation whose assets, combined with those of all the corporations in the group, are less than \$50 million as presented in their financial statements. If the assets exceed \$50 million, but are less than \$75 million, the rate is gradually reduced to 14%.

Tax Credit on R&D Expenditures for an SMB – Québec				
Assets of Corporate Group (in millions of dollars)	Expenditures up to the Ceiling on Eligible Expenditures (in %)	Expenditures Exceeding the Ceiling on Eligible Expenditures (in %)		
50.0 or less	30.0	14.0		
55.0	26.8	14.0		
60.0	23.6	14.0		
62.5	22.0	14.0		
65.0	20.4	14.0		
70.0	17.2	14.0		
75.0 or more	14.0	14.0		

#### **Federal Tax Credits**

The following current expenditures are eligible for the federal R&D tax credits provided the activities are carried on in Canada:<sup>17</sup>

- Salaries of employees who worked directly on the project;
- 80% of fees paid to a subcontractor at arm's length who performed R&D for the corporation;18
- 80% of payments to a certified association, university, college, research institute or other certified body;
- Cost of materials used in connection with the project;
- Overhead expenses directly related to the research.<sup>19</sup>

The basic tax credit is 15% of the R&D expenditures and is not refundable. The unused balance can be carried back three years and forward 20 years.

The \$3-million limit applies separately for each of the four credits.

<sup>&</sup>lt;sup>16</sup> Applicable only to the R&D salary credit.

Capital expenditures are not eligible for the federal R&D tax credit. As a general rule, R&D expenditures must be incurred in Canada in order to be eligible for this tax credit. However, certain salaries paid to Canadian employees carrying out R&D abroad are eligible for the R&D credit. Eligible salaries are limited to 10% of labour expenditures incurred in Canada for R&D work.

<sup>&</sup>lt;sup>18</sup> Subcontractors who are not at arm's length must file the claim. However, expenditures can be transferred.

<sup>&</sup>lt;sup>19</sup> To compute overhead, the corporation may use expenditures actually incurred, or the proxy method pursuant to which 55% of the salaries of employees who worked directly on the project is used.

#### **Enhanced Federal Tax Credit for SMBs**

An SMB is entitled to a refundable tax credit of 35% on the first \$3 million of eligible expenditures per year. For this purpose, an SMB is a Canadian-controlled private corporation whose taxable capital as well as the taxable capital of all the corporations in the group for the previous taxation year does not exceed \$10 million. If taxable capital used in Canada is greater than \$10 million, but not more than \$50 million, the \$3-million limit of expenditures eligible for the 35% credit is gradually reduced; expenditures beyond this reduced limit are eligible for a tax credit at a rate of 15%, which may be partially refundable, depending on the corporation's income, as summarized in the following table. Examples are shown in Appendices 1 to 3.

Rates Applicable to Current R&D Expenditures for an SMB – Federal				
Rate of Credit Refundable Portion of Credit (in %) (in %)				
Expenditures up to limit	35	100		
Expenditures in excess of limit	15	4O¹		

If the taxable income of a corporate group for the preceding year is more than the limit for eligible expenditures (\$500,000 when the taxable capital is equal to or less than \$10 million and gradually reduced to nil when the taxable capital reaches \$50 million), the credit refund is nil.

## **Tax Holiday for Foreign Researchers and Specialists**

Foreign individuals who have expertise in certain specialized areas of activity and who settle in Québec to work are entitled to a tax holiday. The tax holiday is in the form of a tax exemption for a maximum of five consecutive years on a portion of the salary received by these individuals. Therefore, in computing their income, such individuals may deduct 100% of their salary for the first and second years, 75% for the third year, 50% for the fourth year and 25% for the fifth year.

The following researchers and specialists, who are not resident in Canada immediately before their employment contract is signed, are entitled to the tax holiday:

- A researcher specializing in pure or applied sciences who works for a person carrying on a business in Canada and who performs R&D in Québec;
- A specialist either in the field of management or financing of innovation activities or in the marketing abroad
  or transfer of the latest technology, who is working for a person carrying on a business in Canada and
  performing R&D in Québec.

## MANUFACTURING SECTOR

There are three important tax aspects to the Québec government's strategy to strengthen the manufacturing sector in Québec:

- The tax credit for the acquisition of manufacturing and processing equipment;
- The tax credit for job creation;
- The additional deduction for transportation costs of manufacturing SMBs.

In addition to these measures, which are exclusive to Québec, there is the accelerated CCA for manufacturing and processing equipment, as well as the increase in the CCA rate regarding buildings used for manufacturing or processing for both federal and Québec purposes.<sup>20</sup>

Federally, the investment tax credit provides tax relief for the acquisition of buildings and manufacturing and processing equipment by businesses carried on in the Gaspé peninsula, among other regions. Finally, the federal government also provides a reduced taxation rate for the manufacturers of zero-emission technologies.

Manufacturing companies may also be eligible for the measures described in the "Modernization of Businesses by Means of Investment and Innovation" section in this document.

## Tax Credit for the Acquisition of Manufacturing and Processing Equipment

In order to spur manufacturing investments, an investment tax credit is granted until December 31, 2022, for the acquisition of manufacturing and processing equipment<sup>21</sup> and production computer equipment.<sup>22</sup> However, the first \$12,500 that a corporation spends on property is not eligible for the tax credit. This exclusion threshold applies to each individual item.

An investment expenditure attributable to the execution of large investment projects cannot give rise to entitlement to the tax credit for investments in manufacturing and processing equipment. In addition, if the property is also eligible for the tax credit relating to investment and innovation (C3i), the corporation can only benefit from this tax credit if it elects to do so.<sup>23</sup>

#### Rate of the Credit

The tax credit rate is determined based on the location where the investment is made and the corporation's consolidated paid-up capital.<sup>24</sup> Thus, a corporation can benefit from enhanced rates if its consolidated paid-up capital from the previous year does not exceed \$250 million. Where a corporation's paid-up capital is over \$250 million without exceeding \$500 million, the enhanced rates will be reduced linearly to a floor rate of 4%.

Investment Tax Credit Rate Based on Location Where the Investment Is Made in 2022	Basic Rate	Enhanced Rate
Intermediate zone		
Saguenay-Lac-Saint-Jean, Mauricie, Vallée-de-la-Gatineau RCM, Pontiac RCM in Outaouais, Antoine-Labelle RCM in the Laurentians, Rivière-du-Loup RCM, Rimouski-Neigette RCM, Témiscouata RCM, Kamouraska RCM and Les Basques RCM	4%	8%
Bas-Saint-Laurent (eastern portion) La Matapédia RCM, Matane RCM and La Mitis RCM	4%	16%
Remote resource region Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec, Gaspésie-Îles-de-la-Madeleine	4%	24%
Other regions	0%	0%

#### **Refundable Nature of Tax Credit**

The refundable tax credit is also determined based on the corporation's consolidated paid-up capital. Therefore, the tax credit is fully refundable when the corporation's paid-up capital does not exceed \$250 million, whereas it is partly refundable when paid-up capital is between \$250 million and \$500 million. The portion of the tax credit that cannot be refunded or used to reduce the corporation's income tax can be carried forward over 20 years and carried back three years.

#### \$75-Million Cumulative Limit

A maximum of \$75 million of eligible investments made by a corporation over a three-year period can qualify for an increased rate, refundability or both of these benefits.

<sup>&</sup>lt;sup>21</sup> The manufacturing and processing equipment must be new and used within a reasonable time for a period of at least 730 days, solely in Québec.

Property used primarily during ore smelting, refining or hydrometallurgy activities executed abroad or from a mineral resource located in Canada, other than ore from a gold or silver mine, is also eligible for the credit.

Such an election is only possible if the corporation and its associated corporations have not claimed the C3i in the year or in a previous year. This credit is described in the "Modernization of Businesses by Means of Investment and Innovation" section of this document.

A corporation's consolidated paid-up capital refers to the paid-up capital of all the associated corporations within a single group. The determination of a corporation's paid-up capital is a complex calculation that must be performed by a tax specialist. However, it is possible to establish its order of magnitude by first adding up the shareholders' equity (share capital, surplus and retained earnings) and the corporation's long-term debt, and then subtracting equity investments and loans to other corporations.

## **Tax Credit for Job Creation**

A refundable tax credit encouraging job creation in Gaspésie and certain maritime regions of Québec is available to corporations that are able to show that at least three full-time jobs will be created within a reasonable time on the territory of one or more eligible regions.<sup>25</sup>

The rate of the tax credit for job creation is equal to 15% (30% for marine biotechnology, mariculture, and recreational and tourism activities) of the payroll<sup>26</sup> attributable to eligible employees of an eligible corporation operating in a targeted region that carries on a recognized business. However, this credit only applies to annual salaries up to \$83,333. Eligible corporations are entitled to this credit up to December 31, 2025. However, a corporation eligible for a tax holiday for large investment projects does not qualify for the tax credit for job creation.

The following table shows eligible activities for the tax credit and tax credit rates based on the region where the corporation carries on business.

Tax Credit for Gaspésie and Certain Maritime Regions of Québec				
Eligible Activities	Tax Credit	Eligible Regions		
Manufacturing activities <sup>1</sup>	15%	Gaspésie Îles-de-la-Madeleine		
Manufacturing or processing of finished or semi-finished products from slate or peat	15%	Gaspésie Îles-de-la-Madeleine Côte-Nord Bas-Saint-Laurent		
Production of wind power and manufacturing of wind turbines	15%	Gaspésie Îles-de-la-Madeleine La Matanie RCM		
Processing of sea products	15%	Gaspésie Îles-de-la-Madeleine Côte-Nord La Matanie RCM		
Marine biotechnology and mariculture	30%	Gaspésie Îles-de-la-Madeleine Côte-Nord Bas-Saint-Laurent		
Recreational and tourism activities	30%	Îles-de-la-Madeleine		

<sup>&</sup>lt;sup>1</sup> For reference purposes, the activities listed under codes 31, 32 and 33 of the North American Industry Classification System (NAICS) are generally manufacturing activities covered by this tax credit.

To qualify for this tax credit, the corporation must obtain an initial qualification certificate from Investissement Québec. Then, each year, it must obtain a business qualification certificate and an employee certificate in respect of every employee for whom it is requesting the tax credit.

Only employees who spend at least 75% of their time on eligible activities are considered in the payroll calculation.

## **Additional Deduction for Transportation Costs of Manufacturing SMBs**

To provide additional assistance to all Québec SMBs and take account of the higher transportation costs due to the remote location of certain regions compared with the major urban centres, an additional deduction for transportation costs in the calculation of net income is granted to Canadian-controlled private corporations whose paid-up capital is less than \$50 million.<sup>27</sup>

The amount of the additional deduction that manufacturing SMBs may benefit from varies according to several criteria, such as the region where the corporation performs its manufacturing activities, the level of its manufacturing activities, the corporation's size, its gross income for the taxation year and a regional cap.<sup>28</sup> This additional deduction can reach 10% of a corporation's gross income for a taxation year for the most remote regions.<sup>29</sup>

In addition, all SMBs in the most remote regions of Québec may receive an additional deduction for transportation costs. This additional deduction, which can reach 10% of a corporation's gross income, is granted based on the scope of the corporation's activities in the remote region and on its size. No ceiling applies to this additional deduction and it cannot be added to the additional deduction for transportation costs of manufacturing SMBs.

#### **Investment Tax Credit**

Corporations doing business in the Atlantic Provinces, the Gaspé peninsula or a prescribed offshore region are eligible for a 10% investment tax credit on the cost of new prescribed buildings<sup>30</sup> or new prescribed machinery and equipment<sup>31</sup> acquired primarily to be used in certain activities, including:

- Manufacturing or processing goods for sale or lease;
- Logging, farming or fishing; and
- Exploring for or developing certain natural resources.

<sup>&</sup>lt;sup>27</sup> The taxable capital must be lower than \$15 million for taxation years starting before April 7, 2022.

<sup>&</sup>lt;sup>28</sup> The regional cap is \$50,000, \$150,000, \$350,000 or nil, depending on the region where the corporation carries out its activities. The regional cap must be shared between associated corporations.

<sup>&</sup>lt;sup>29</sup> The additional deduction rate varies between 1% and 10%, depending on the region where the corporation carries out its activities. There are rules concerning situations in which a corporation carries out activities in more than one region.

<sup>&</sup>lt;sup>30</sup> A prescribed building includes a building or a grain elevator included in Class 1, 3, 6, 8 or 20 and erected on land owned or leased by the taxpayer.

The definition of "prescribed machinery and equipment" is very broad and includes the majority of capital expenditures included in Classes 8, 9, 10, 15, 21, 22, 24, 27, 28, 29, 34, 38, 39, 40, 43, 45, 50, 52 and 53, electrical generating equipment included in Classes 1 and 2 and vessels included in Class 7. The electricity generation equipment described in Classes 17 and 48 and the clean energy generation and energy conservation equipment described in Classes 43.1 and 43.2 are also eligible for the credit.

## **Manufacturers of Zero-Emission Technologies**

The federal government has proposed to temporarily reduce the taxation rates on eligible income of corporations at least 10% of whose gross revenue (from active businesses operated in Canada) comes from eligible zero-emission technology manufacturing or processing.<sup>32</sup> This measure applies to taxation years starting after 2021 and will be gradually phased out as of 2029. Eligible income is thus subject to the following taxation rates, based on whether or not it is eligible for the SBD:

	Taxation Rate for Eligible M&P Income for Zero-Emission Technologies		
Start of Taxation Year	With SBD	Without SBD	
	(in %)	(in %)	
2022 to 2028	4.500	7.500	
2029	5.625	9.375	
2030	6.750	11.250	
2031	7.875	13.125	
2032	9.000	15.000	

The rate reduction applies in respect of income from the following activities:

- Manufacturing of the following goods:
  - Solar energy conversion equipment;
  - Wind energy and water energy conversion equipment;
  - Geothermal energy equipment;
  - Equipment for a ground source heat pump system;
  - Energy storage equipment used for storage of renewable energy or for providing grid-scale storage or other ancillary services;
  - Zero-emission vehicles, conversion of vehicles into zero-emission vehicles and batteries and fuel cells for such vehicles:
  - Electric vehicle charging systems and hydrogen refuelling stations for vehicles;
  - Equipment used for the production of hydrogen by electrolysis of water:
  - Air source heat pumps used to heat premises or water;
- Production of hydrogen by electrolysis of water;
- Production of solid, liquid or gaseous fuel.

# MODERNIZATION OF BUSINESSES BY MEANS OF INVESTMENT AND INNOVATION

The federal government has implemented the air quality improvement tax credit, and the Québec government has implemented four measures intended to encourage businesses to invest in their equipment, the integration of new technologies and innovation:

- Tax credit relating to investment and innovation (C3i);
- Synergy capital tax credit;
- Incentive deduction for the commercialization of innovations;
- Tax holiday for large investment projects.

<sup>&</sup>lt;sup>32</sup> Québec has confirmed that it would not harmonize with this measure.

## **Air Quality Improvement Tax Credit**

The federal air quality improvement tax credit is available to Canadian-controlled private corporations whose taxable capital employed in Canada (including that of associated corporations) is less than \$15 million. This refundable tax credit corresponds to 25% of qualifying expenditures incurred between September 1, 2021, and December 31, 2022, to increase outdoor air intake or improve air cleaning or air filtration. Qualifying expenditures are limited to \$10,000 per location (\$50,000 for all locations) for the duration of the program. This limit must be shared among affiliated entities.

## Tax Credit Relating to Investment and Innovation (C3i)

The tax credit relating to investment and innovation is available to a corporation that acquires manufacturing and processing equipment, computer equipment<sup>33</sup> or a qualified management software package.<sup>34</sup> It is provided in respect of expenses incurred to acquire such property,<sup>35</sup> below the exclusion threshold for expenses not eligible for the credit. The exclusion threshold applies to each individual item and amounts to \$5,000 for computer equipment and management software and \$12,500 for other property.

The rate of the tax credit is determined based on the region where the property is acquired to be used mainly and the time when the investment is made, as shown in the following table.

Region Where the Property is Acquired to Be Used <sup>1</sup>	Rate Based on When the Investment Is Made		
	From March 11, 2020, to March 25, 2021	From March 26, 2021, to December 31, 2023 <sup>2</sup>	From January 1 to December 31, 2024
Low economic vitality zone	20%	40%	20%
Intermediate zone	15%	30%	15%
High economic vitality zone	10%	20%	10%

<sup>&</sup>lt;sup>1</sup> The territories included in each zone are shown in Appendix 7.

## \$100-Million Cumulative Limit

A corporation may be entitled to credits for a maximum of \$100 million of investments made over a five-year period under the tax credit relating to investment and innovation and the tax credit for the acquisition of manufacturing and processing equipment, insofar as the latter is calculated at the higher rate or is refundable.<sup>36</sup>

# **Synergy Capital Tax Credit**

The synergy capital tax credit is intended to support the growth of innovative businesses by giving them access to capital and business networks. Thus, a corporation can benefit from a non-refundable tax credit equal to 30% of the amount it pays to subscribe for new common shares of a qualified corporation<sup>37</sup> in the life sciences, manufacturing and processing, green technologies, artificial intelligence or information technologies sector. The maximum annual credit amounts to \$225,000 per investor.

<sup>&</sup>lt;sup>2</sup> Applies to property that was legally acquired before April 1, 2024, if it is acquired in accordance with a written obligation entered into before January 1, 2024, or its construction begins before that date.

<sup>33</sup> Electronic data processing equipment and the systems software for that equipment.

<sup>&</sup>lt;sup>34</sup> Property used mainly in activities involving the smelting, refining or hydrometallurgy of ore, other than ore from a gold or silver mine, extracted from a mineral resource located in Canada is also eligible for the credit.

The property must be new and used only (mainly, in the case of a qualified management software package) in Québec and mainly in the course of carrying on a business for a period of at least 730 consecutive days, except in the course of a recognized business relating to a large investment project or in the course of operating an ethanol, biodiesel or pyrolysis oil production plant.

This credit is described in the "Manufacturing Sector" section of this document.

Corporation holding an authorized placement certificate issued by Investissement Québec. The corporation must carry on a business in Québec and have an establishment there, and must be a Canadian-controlled private corporation whose consolidated paid-up capital and gross income are less than \$15 million and \$10 million, respectively. Its activities in Québec must represent more than 75% of all its activities, and it must carry on mainly eligible activities.

To receive this tax assistance, the qualified investor must carry on a business in Québec, have an establishment in the province and not be an excluded investor.<sup>38</sup> Furthermore, it must not have disposed of shares of the qualified corporation on the day of the subscription or in the previous 24 months, it must be at arm's length from the qualified corporation at the time the shares are issued, and it must not be associated with the qualified corporation during the year including that day or during the following four taxation years. Finally, the subscribed shares must be kept for a minimum of five years.

#### Incentive Deduction for the Commercialization of Innovations

A corporation that commercializes a qualified intellectual property asset resulting from R&D activities carried out in whole or in part in Québec may benefit from an effective provincial tax rate of 2% on the qualified portion of its taxable income attributable to that asset.<sup>39</sup> For this purpose, a qualified intellectual property asset designates one of the following kinds of property:

- An invention protected by a patent or a certificate of supplementary protection;
- A creation, discovery or development of a new plant variety protected by valid plant breeder's rights;
- Software protected by copyright.

# **Tax Holiday for Large Investment Projects**

A corporation that undertakes a large investment project in one or more of the following areas of activity may be entitled to a tax holiday:

- Manufacturing (NAICS codes 31–33, excluding processing activities for a mineral substance);
- Wholesale Trade (NAICS code 41);
- Warehousing and Storage (NAICS code 4931),
- Data Processing, Hosting, and Related Services (NAICS code 518);
- Development of Digital Platforms.

A project to modernize a business through digital transformation is also eligible for this tax holiday, regardless of the sector.

To benefit from this tax holiday, the corporation must obtain an initial qualification certificate and annual certificates issued by the Ministère des Finances. An application for an initial qualification certificate must be made before the investment project begins to be carried out and no later than December 31, 2024.

#### **Investment Threshold**

The project must involve a minimum investment of \$50 million for projects carried out in designated regions<sup>40</sup> and \$100 million for other projects. This threshold must be reached within 60 months following the date of issuance of the initial certificate.

Eligible investment expenses for this tax holiday correspond to all capital investments made since the project start date to acquire goods or services to establish, expand or modernize the business in Québec.<sup>41</sup> For a project to modernize a business through digital transformation, they correspond to capital expenditures incurred to:

- Acquire digital equipment, software and other components of the technology infrastructure or the information system;
- Adapt the company's equipment in connection with the implementation of the digital solution.

In general, financial institutions, real estate corporations and corporations whose main business consists in granting loans or making investments are not eligible for this tax credit.

<sup>&</sup>lt;sup>39</sup> This amount is based on the gross income from the asset. Royalties, payments for use or the concession of use, income from the sale or lease of a property incorporating the asset or from the supplying of a service intrinsically related to the asset, and amounts obtained as damages from judicial remedies relating to the asset qualify under this criterion.

The designated regions are Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Nord-du-Québec, Saguenay-Lac-Saint-Jean, Charlevoix-Est RCM, Granit RCM, Haut-Saint-François RCM, Antoine-Labelle RCM, Mékinac RCM, the urban agglomeration of La Tuque, Pontiac RCM and Vallée-de-la-Gatineau RCM.

<sup>&</sup>lt;sup>41</sup> Expenses related to the purchase and use of land or the acquisition of a business that was already being carried on in Québec are not eligible.

#### **Duration and Limit of the Tax Assistance**

The 15-year tax holiday is reflected in a holiday from income tax<sup>42</sup> and a holiday from employer contributions to the HSF regarding the portion of wages paid to its employees that is attributable to the time they dedicate to eligible activities relating to the project. The tax assistance relating to a large investment project may not exceed 15% of the total qualified capital investments relating to the project, determined on the date of the beginning of the tax-free period.

## NATURAL RESOURCES SECTOR

To stimulate investments by businesses in the natural resources sector, the Québec government grants them various types of tax relief. In return, the mining tax enables the government to obtain fair compensation for the use of a non-renewable resource belonging to the public domain.

# Québec Mining Tax Act

A mine operator is required to pay mining duties corresponding to the greater of its minimum mining tax or its mining tax on its annual profit calculated according to progressive rates. The tax base of Québec's mining duties regime is generally based on the notion of mining profit and the "mine-by-mine" principle. Briefly, an operator's annual profit for the purposes of the mining tax represents the gross value of its annual output from a mine, less certain expenses and allowances. The tax rate used to calculate the mining tax on annual profit is determined in accordance with the operator's profit margin. The rates are the following, according to the profit margin segment:

Profit Margin Segment	Applicable Rate
0% to 35% segment	16%
35% to 50% segment	22%
50% to 100% segment	28%

The minimum mining tax is an *ad valorem* royalty calculated on the total output value at the mine shaft head for each mine operated. For a particular fiscal year, the operator's minimum tax is:

- 1% of the first \$80 million of the value of the production at the mine shaft head for all mines operated;
- 4% on the value at the mine shaft head in excess of \$80 million for all mines operated.

An operator's output value at the mine shaft head in respect of a mine it operates is calculated on the basis of the operator's gross value of annual output from the mine. The aim of this calculation, by means of inclusions and deductions, will be to determine the value of the mineral substance from the mine once extracted from Québec soil but before it is processed by the operator. The output value at the mine shaft head may not be less than 10% of the operator's gross value of annual output from that mine.

The minimum mining tax paid for a fiscal year may be carried forward to be applied against the mining tax on future profit as a non-refundable minimum mining tax credit. Lastly, when an operator sustains a loss, it may obtain a credit on duties refundable for losses in respect of exploration<sup>43</sup> and pre-production development expenses. This tax credit is also deductible from the operator's minimum mining tax payable.

<sup>&</sup>lt;sup>42</sup> The income tax holiday takes the form of a deduction in calculating the corporation's taxable income.

<sup>43 50%</sup> of the operator's incurred exploration expenses are eligible for this credit.

#### **Resource Tax Credit**

A corporation that carries on a business in Québec and incurs eligible expenses may benefit from a refundable tax credit relating to resources. The tax credit rate varies between 12% and 38.75% according to the type of resource, where the expenses are incurred and the type of corporation.

Eligible expenses<sup>44</sup> include:

- Exploration expenses related to mineral resources, oil and gas incurred in Québec;
- Development expenses related to oil and gas incurred in Québec;
- Expenses relating to natural resources (cut stones: granite, sandstone, limestone, marble and slate)
   where the resources are used for the production of dimension stones, cemetery monuments, building stones, paving stones, curbing and roof tiles; and
- Canadian renewable energy and energy savings expenses incurred in Québec.

Refundable Resource Tax Credit Rates			
Tax Credit for Eligible Expenses	Corporations Not Operating Any Mineral Resource or Oil and Gas Well <sup>1</sup>	Other Corporations	
Expenses relating to mining resour	ces:		
Mid-North and Far North of Que	ébec 38.75%	18.75%	
<ul> <li>Elsewhere in Québec</li> </ul>	28.00%	12.00%	
Expenses relating to oil and gas:			
<ul> <li>Mid-North and Far North of Que</li> </ul>	ébec 31.00%	15.00%	
<ul> <li>Elsewhere in Québec</li> </ul>	28.00%	12.00%	
Expenses relating to renewable en and energy savings	ergy 28.00%	24.00%	
Expenses relating to other natural resources (cut stones)	12.00%	12.00%	

<sup>1</sup> These corporations must not be related to a corporation exploiting a mineral resource or operating an oil or gas well.

# **Accelerated Capital Cost Allowance for Liquefied Natural Gas**

Equipment and structures used for natural gas liquefaction and acquired before 2025 are eligible for an additional 22%<sup>45</sup> allowance that brings the CCA rate up to 30% for this kind of property. Non-residential buildings located at a facility that liquefies natural gas and acquired before 2025 are eligible for an additional 6% allowance that brings the CCA rate up to 10% for this kind of property. The additional 22% and 6% allowances are only granted for new property and can only be deducted from the income of the corporation that liquefies natural gas.

The expenses which a corporation has relinquished with respect to a share in Québec's flow-through share system are not eligible for this credit. In addition, eligible expenses incurred after March 31, 2023, will no longer be eligible if they are related to oil, gas or coal.

<sup>&</sup>lt;sup>45</sup> Property not eligible for the additional allowance: equipment used exclusively for regasification, property acquired for producing oxygen or nitrogen, a breakwater, dock, jetty, wharf or similar structure and electrical generating equipment.

## **Production of Biofuels and Biodiesel**

The Québec government also grants financial assistance to corporations that produce biofuels and biodiesel, by means of the following refundable tax credits:<sup>46</sup>

- Tax credit for the production of ethanol in Québec;
- Tax credit for the production of cellulosic ethanol in Québec;
- Tax credit for the production of biodiesel fuel in Québec;
- Tax credit for the production of pyrolysis oil in Québec.

In general, these tax credits are calculated based on the number of litres of biofuel or biodiesel produced monthly.

## **DEVELOPMENT OF E-BUSINESS**

In order to encourage the development and expansion of IT throughout Québec, the Québec government has created two tax credits for the development of e-business. The first refundable tax credit is equal to 24% of the eligible wages, up to an annual limit of \$20,000 per employee.<sup>47</sup> The second non-refundable tax credit is equal to 6% of the eligible wages, up to a maximum credit of \$5,000 per employee.<sup>48</sup> A sample calculation of these credits is presented in Appendix 4.

To be entitled to these credits, a corporation must have an establishment in Québec where it carries on a business in the IT sector.<sup>49</sup> Eligible activities for the qualification of an eligible employee include:

- Information technologies consulting services;
- Development, integration and maintenance of information systems and technology infrastructures;
- Development of security and identification services related to e-commerce activities.

However, the following activities do not represent eligible activities:

- Activities not primarily related to e-business;
- Operation of an e-business solution;
- Operation of a customer contact centre;
- Equipment installation and training activities;
- Management or operation of information systems, applications or infrastructures stemming from e-business activities;
- Administrative duties;
- Activities related to a marketing information system; and
- Activities whose results are incorporated into property that is intended for sale or the purpose of which
  concerns the operation of such property.

<sup>&</sup>lt;sup>46</sup> The tax credits for the production of ethanol, cellulosic ethanol and biodiesel are available until March 31, 2023. They will then be replaced by the new credit for the production of biofuels in Québec, which will be available until March 31, 2033, as will the credit for pyrolysis oil production.

<sup>&</sup>lt;sup>47</sup> Which represents a maximum eligible salary of \$83,333 per employee calculated on an annual basis.

<sup>&</sup>lt;sup>48</sup> Any wages that are attributable to the employee's duties in the performance of work relating to an agreement entered into, renewed or extended after September 30, 2015, between the employer and a government entity are excluded from the tax credit.

<sup>&</sup>lt;sup>49</sup> The corporation must obtain a corporation and employee certificate issued by Investissement Québec stating, among other things, that:

Activities in the information technology sector constitute at least 75% of the corporation's activities (activities under North American Industry Classification System [NAICS] codes 334110, 334220, 334410, 417310, 443144, 511211, 511212, 51821, 541514, 541515, 561320 and 561330);

At least 50% of its gross income comes from activities that are included under NAICS codes 511211, 511212, 541514, 541515, 561320 and 561330;

The gross income from activities included under NAICS codes 561310, 561320 and 561330 is below the gross income from activities included under NAICS codes 511211, 511212, 541514 and 541515;

At least 75% of its gross income comes from activities that are included under NAICS codes 511211, 511212, 541514, 541515, and, under certain conditions, 561320 and 561330, that are attributable to 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, or a combination of these services:

At any time, these activities require a minimum of six eligible full-time employees, except in situations of activities transfer or business start-ups.

## **CULTURAL INDUSTRY AND MULTIMEDIA**

For several years now, the Québec government has striven to promote Québec's cultural identity and the production of multimedia titles by granting several different tax credits. Moreover, Québec is recognized as one of the best locations in the world for video game and interactive content development. Due to its qualified labour, the numerous specialized companies in this field and major incentive programs, Québec is an essential hub for digital entertainment.

## Cultural Industry Tax Credits<sup>50</sup>

The government assumes a part of the cultural industry's financing through grants, loans and loan guarantees. The government of Québec also grants financial assistance to corporations in this field by means of the following tax credits:

- Tax credit for Québec film or television productions;<sup>51</sup>
- Tax credit for film production services;52
- Tax credit for the production of sound recordings;
- Tax credit for the production of performances;
- Tax credit for the production of multimedia events or environments staged outside Québec;
- Tax credit for film dubbing; and
- Tax credit for book publishing.

#### **Tax Credit for Multimedia Titles**

A refundable tax credit of 26.25% to 37.5% is granted to corporations that produce eligible multimedia titles. A corporation can claim a credit for each of the titles it produces or for all of its activities when they essentially<sup>53</sup> consist in eligible multimedia productions.

To be eligible, a multimedia title must be produced in an electronic medium, be run using software that supports interactivity, and present, in significant proportions, at least three of the following four types of data: text, sound, still images, moving images. In this respect, a title may be considered to be run using software that supports interactivity if the conditions respecting the user's participation in the action of the title are met for all or substantially all of the action. The related titles tied to a principal multimedia title are also entitled to the tax credit for the production of multimedia titles.

The corporation's labour expenditures<sup>54</sup> determine the credit amount it can claim. The rate varies by category of production and whether a French version is available. A corporation that wishes to benefit from this credit must obtain an eligibility certificate from Investissement Québec.

Categories	Basic Credit	Enhanced Credit for French Version
Multimedia titles destined for commercial markets and that are not vocational training titles	30.00%	37.50%
Other multimedia titles including vocational training titles	26.25%	N/A

<sup>&</sup>lt;sup>50</sup> For more information on these credits, visit the website of the Société de développement des entreprises culturelles (SODEC) at sodec.gouv.qc.ca.

The federal government also has a tax credit for Canadian film or video productions.

The federal government also has a tax credit for film or video production services.

<sup>&</sup>lt;sup>53</sup> To qualify for the credit for all of its activities, the corporation must obtain a certificate from Investissement Québec certifying that 75% of its activities in Québec consist in producing eligible multimedia titles and, where applicable, in carrying out scientific research and experimental development related to such titles.

<sup>&</sup>lt;sup>54</sup> Generally, labour expenditures include:

<sup>- 100%</sup> of wages and salaries paid to eligible employees, subject to a \$100,000 cap for certain employees;

 <sup>100%</sup> of the amounts paid to a subcontractor not at arm's length, subject to a \$100,000 cap for certain employees of the subcontractor; and

<sup>- 50%</sup> of the amounts paid to a subcontractor at arm's length.

## FINANCIAL SERVICES SECTOR

In this era of market globalization, corporations working in the financial services sector are faced with increasingly complex regulations. To support this industry, the Québec government has implemented tax measures to support international financial centres and encourage the creation of new financial services corporations.

## International Financial Centres<sup>55</sup>

The objective of International Financial Centres (IFCs) is to promote the implementation, development and retention in the City of Montréal of businesses specializing in Qualified International Financial Transactions (QIFT) or Qualified International Financial Operations (QIFO). Accordingly, a corporation recognized as an IFC can benefit from a tax credit of 24% of the salaries of eligible employees. Generally, this is a non-refundable credit. The maximum annual credit is \$18,000 per employee for QIFT and \$14,400 per employee for QIFO. Foreign specialists employed by an IFC are generally also eligible for the same tax holiday as foreign researchers and specialists.

# **New Financial Services Corporations**

The Québec government has implemented three fiscal measures to encourage the creation of new financial services corporations:

- Refundable tax credit for new financial services corporations;
- Refundable tax credit for the hiring of employees by a new financial services corporation; and
- Tax holiday for foreign specialists employed by a new financial services corporation.

To be eligible for these measures, the corporation's activities must include one or more of the following activities:

- Analysis, research, management, advisory or securities transactions or distribution services performed by certain types of securities dealers;
- Securities advisory or securities portfolio management services provided by certain types of securities advisers.

The corporation must obtain a qualification certificate from the Ministère des Finances,<sup>57</sup> which will be valid for a period of five years.

## **Tax Credit for New Financial Services Corporations**

A corporation can benefit from a refundable tax credit equivalent to 32% of certain eligible expenditures during the period of validity of the qualification certificate. Eligible expenditures include, among others, fees for the constitution of the initial file for participation in a stock exchange, fees and costs as a participant in a stock exchange, subscription fees for financial analysis or research tools or services, fees related to the creation of a prospectus and fees paid to a compliance consultant. The expenditures eligible for the credit are limited to \$375,000 annually, for a maximum annual credit of \$120,000.

<sup>55</sup> See the website of the International Financial Centre of Montréal at www.finance-montreal.com/en/ifc-tax-credit. For taxation years ending after June 30, 2021, the condition that all the activities of an IFC must be conducted in one location has been eliminated. Thus, activities can be conducted in one or more of the entity's establishments, without compromising its status as an IFC.

<sup>&</sup>lt;sup>56</sup> Only the tax credit for back office activities qualifying as international financial transactions is refundable.

The corporation must submit its application for a qualification certificate before the end of its second fiscal year and before December 31, 2022, at the latest.

<sup>&</sup>lt;sup>58</sup> The expenditure limit must be shared between associated corporations.

#### Tax Credit for the Hiring of Employees by a New Financial Services Corporation

A corporation may claim a refundable tax credit equivalent to 24% of salaries paid during the period of validity of the qualification certificate, up to an annual maximum credit of \$24,000 per employee. An employee's salary is eligible for the credit if 75% of the employee's duties are directly attributable to the transactional process specific to the carrying out of the activities stipulated in the corporation's qualification certificate.

#### Tax Holiday for Foreign Specialists Employed by a New Financial Services Corporation

Foreign specialists employed by a new financial services corporation can also benefit from the tax holiday granted to foreign researchers and specialists.<sup>59</sup> Note that the exemption for the fifth year is equal to 37.5% of the salary received by specialists employed by an IFC.

#### OTHER TAX MEASURES

This section describes the main features of other tax measures offered by the government to stimulate Québec's economy.

## **Technological Adaptation Services**

A tax credit is granted to businesses for the collection and processing of strategic information as well as for collaboration efforts, research and innovation with different partners.

The refundable tax credit is equal to 40% of:60

- 80% of the fees for liaison and transfer services provided by a liaison and transfer centre or by a college centre for the transfer of technology; and
- The cost of training and information activities related to liaison and transfer services.

A credit can be claimed for the following eligible activities:

- Locating and brokering research results;
- Assessing the needs of businesses;
- Bringing together stakeholders;
- Carrying out technical feasibility studies and studies assessing the commercial potential of innovation projects; and
- Supporting businesses through the various stages of innovation project execution.

Liaison and transfer centres are organizations that bring together numerous university, industry and government members whose mission is to enhance the value of enterprises through the transfer of expertise, knowledge, know-how and technologies. The activities of college centres for the transfer of technology focus on applied research, technical assistance, training, information monitoring and communication.<sup>61</sup>

# Design<sup>62</sup>

Tax incentives for design cover two areas and provide for a refundable tax credit ranging from 12% to 24%. The first area involves design activities related to goods made on an industrial basis under an external consulting contract. The second area involves payroll costs incurred by a corporation for fashion designers.

<sup>&</sup>lt;sup>59</sup> This measure is described in the "Scientific Research and Experimental Development" section of this document.

<sup>&</sup>lt;sup>60</sup> Excluding all expenditures eligible for a Québec R&D tax credit.

<sup>61</sup> Appendix 6 lists these organizations. The services must be rendered in Québec to qualify for the credit.

<sup>62</sup> For more information on this credit, visit the website of the Ministère de l'Économie et de l'Innovation at economie gouv.qc.ca.

## **Maritime Industry**

As part of its maritime strategy, Québec has implemented several measures to stimulate the economic development of many of its coastal regions. The first measure is an additional capital cost allowance granted for building or renovating a vessel in a Québec shipyard. The second is a refundable tax credit granted for building or renewing a vessel. Last, Québec shipowners may take advantage of a tax-free reserve to allow Québec shipyards to modernize or renew their fleet of vessels or build a new vessel.

## **Print Media Corporations**

To help safeguard Québec's print media and maintain their original written content on general-interest news, the Québec government has implemented two tax measures:

- Refundable tax credit for the digital transformation of print media corporations;
- Refundable tax credit to support print media corporations.

A corporation that wishes to make use of these tax credits must obtain eligibility certificates from Investissement Québec.<sup>63</sup>

Some journalism organizations may also benefit from an exemption from federal and Québec income taxes. Finally, the federal government grants a Canadian journalism labour tax credit.

## **Tax Credit for the Digital Transformation of Corporations**

To help a corporation launch or continue the digital transformation of its business model, a refundable tax credit may be granted equal to 35% of qualified digital conversion costs that it has incurred during the year and before 2024, up to a maximum of \$20 million,<sup>64</sup> for a maximum annual credit of \$7 million.

Qualified digital conversion costs comprise salaries of eligible employees performing eligible activities and 80% of the amount paid under an eligible digital conversion contract.

Eligible activities for the purpose of qualifying an employee or a contract include development of information systems, integration of technology infrastructure, development of interactive decision aids (business modelling) and development of business imaging tools that show a corporation in its current state for the purpose of data analysis (business intelligence), but do not include the day-to-day operation of the aids and tools or activities related to the operation of information technologies.

## **Tax Credit to Support Print Media Corporations**

A corporation may apply for a refundable tax credit equal to 35% of wages paid to employees working in the production of information content or the operation of information technologies related to the production or publication of content. The annual credit is limited to \$26,250 per employee, or annual wages of \$75,000.

<sup>63</sup> The corporation must obtain corporation, employee and contract eligibility certificates from Investissement Québec indicating the following:

that it has produced or distributed an eligible publication, namely a print or digital publication including original written informational content of general interest aimed specifically at the Québec public and covering at least three current event themes, and that is produced and distributed daily or periodically (at least 10 times a year);

that the employees work at least 26 hours a week for an anticipated minimum of 40 weeks and spend at least 75% of their time doing or directly supervising eligible activities;

that the digital conversion contract concerns one or more of the following: the acquisition or lease of equipment and technologies required for the performance of eligible activities, the provision of services consisting of eligible activities, or a right of use or licence to perform eligible activities.

<sup>&</sup>lt;sup>64</sup> This annual limit must be shared among associated corporations.

Eligible activities for this tax credit include research, data gathering, fact checking, photography, writing, editing, design and other content preparation—related activities, as well as the following operation of information technology activities:

- 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 increase 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.

#### **Canadian Journalism Labour Tax Credit**

An eligible Canadian journalism organization may obtain a refundable tax credit equal to 25% of the salary or wages paid to eligible newsroom employees. The maximum annual credit is \$13,750 per employee. To receive this tax credit, an organization must submit an Application for Qualified Canadian Journalism Organization to the Canada Revenue Agency.

# On-the-Job Training and Workforce Training

A number of businesses believe in the benefits of collaboration between the academic and business communities. These businesses complement the theoretical aspects of a student's education with practical training. To encourage these initiatives, the Québec tax system provides a tax credit with respect to student training within such businesses. A corporation can claim a refundable tax credit equal to 30% of a student's salary.<sup>65</sup> The tax credit rate is 40% when the student is a person with a disability, an immigrant or an Indigenous person or when the training takes place in a resource region. Similarly, the tax credit increases to 40% in the third year of recurring eligible on–the–job training.<sup>66</sup>

Employers who hire an eligible apprentice<sup>67</sup> can benefit from the federal apprenticeship job creation tax credit. This tax credit corresponds to 10% of the salary paid to an apprentice up to an annual maximum of \$2,000 per apprentice.

Finally, the Québec government grants a refundable tax credit intended to encourage the training of workers in SMBs. This tax credit corresponds to 30% of the eligible salary expenditure incurred before January 1, 2023, to allow an employee to take an eligible training program. For this purpose, an SMB is a corporation whose total payroll (including those of associated corporations) is less than \$5 million. When the total payroll is greater than \$5 million, the tax credit is reduced linearly, becoming nil when the total payroll reaches \$7 million.

# **Worker Hiring and Training**

Finally, various credits are available to SMBs to encourage the training of their workers and promote the hiring of experienced workers aged 60 years or over or workers facing severe employment restrictions.

<sup>&</sup>lt;sup>65</sup> The 30% rate applies to training started after March 25, 2021, in respect of expenditures incurred after that date and before May 1, 2022. In other cases, the rate is 24%. Eligible expenditures include the salaries of students and their supervisors. Expenditures may not, however, exceed \$700 or \$875 per student per week (\$875 or \$1,225 when the student is a person with a disability) depending on the type of training.

<sup>&</sup>lt;sup>66</sup> 50% when the student is a person with a disability, an immigrant or an Indigenous person or when the training takes place in a resource region. A corporation only qualifies for the enhanced rate if it has qualified for at least three consecutive taxation years in respect of a student trainee and the eligible expenditure has amounted to at least \$2,500 for each of the three consecutive years.

<sup>&</sup>lt;sup>67</sup> Eligible apprentices must practise one of the designated Red Seal trades.



The fight against climate change is now part of the growing concerns of business leaders; it is also a priority of the Québec and Canadian governments. Whether they want to enhance their image or increase profitability by improving their energy efficiency, businesses have no choice but to invest in the fight against climate change. Therefore, businesses must take advantage of any and all opportunities offered by the fight against climate change to position themselves and increase their competitiveness.

Our governments have traditionally used regulations to protect the environment and decrease pollution. Over the last few years, public authorities have recognized that the fight against climate change must involve business commitment. It is with this in mind that government authorities have started promoting renewable energy investments through tax measures.

Companies in Québec benefit from a substantial competitive advantage due to the use of hydroelectricity, and the Energy Transition, Innovation and Efficiency Master Plan aims to enhance this advantage.

Generally, the carbon footprint of products manufactured in Québec is lower than that of products manufactured in the other provinces or the United States. Québec businesses going green can therefore compete very favourably when they use hydroelectricity.

This section provides a summary of the main measures that apply to businesses. Some of the measures are available on a voluntary basis, encouraging taxpayers to make "green" choices to benefit from tax relief, while others are mandatory. However, all of these measures have one common goal: the fight against global warming.

## **CLEAN ENERGY GENERATION**

Equipment designed to produce clean energy (Classes 43.1 and 43.2) acquired and available for use before 2028 may benefit from an enhanced CCA rate in the year in which it is commissioned. The allowance ranges from 55% to 100% of the cost of the equipment, depending on the year in which it is commissioned. In addition, costs incurred in developing and commissioning renewable energy or energy conservation projects receive favourable tax treatment. These measures represent a financial advantage for businesses that would like to go green and invest in new, more productive and less energy-consuming equipment.

# **GREENHOUSE GASES (GHG)**

Québec has set up a cap-and-trade system for greenhouse gas emissions in which large industrial emitters and fossil fuel distributors have to acquire an emission allowance for every metric ton of GHG they emit into the atmosphere. This system, which is linked to California's under the Western Climate Initiative (WCI),<sup>68</sup> constitutes the largest carbon market in North America. The cap-and-trade system is based mainly on rigorous reporting of GHG emissions, governed by the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*, which requires Québec businesses to report certain emissions of contaminants into the atmosphere from their activities, including GHG emissions.

## **Mandatory Reporting of Certain Emissions of Contaminants into the Atmosphere**

Enterprises emitting 10,000 metric tons or more of carbon dioxide equivalents (CO<sub>2</sub>e) annually are required to report their GHG emissions, as long as their emissions have not been lower than this level over four consecutive years. The reports must be filled by June 1 at the latest for GHG emissions for the previous calendar year. Every person or municipality operating an enterprise that distributes more than 200 litres of fuels and combustibles annually must report all these GHG emissions to the Minister of Sustainable Development, the Environment, and the Fight against Climate Change. The GHG emissions calculation and application of the reporting threshold are determined separately for each establishment owned by an enterprise.

Also, enterprises that report emissions greater than or equal to 25,000 metric tons of CO₂e are required to have their emissions report verified by an independent and ISO 14065−certified verification organization. These verification reports must be sent to the Minister by June 1, at the latest, following the end of the year in which the emissions were reported.

# **Cap-and-Trade System**

The cap-and-trade system targets enterprises that have reported annual emissions for an establishment equal to or greater than 25,000 metric tons of  $CO_2e$ . Distributors of fossil fuels and combustibles are also subject to Québec's cap-and-trade system and must report their GHG emissions attributable to the combustion of all fuels they distribute in Québec, except for those sold to large emitters, which already declare these emissions. Furthermore, industrial facilities that report annual emissions equal to or greater than 10,000 metric tons of  $CO_2e$  may voluntarily register for the carbon market and thus become subject to the cap-and-trade system.

<sup>68</sup> The WCI is a group of U.S. states and Canadian provinces that wish to adopt a common approach to fighting climate change. Québec has been a member since 2008.

<sup>&</sup>lt;sup>69</sup> The calculation of the threshold excludes certain emissions which are listed in Section 6.6 of the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere.* 

Briefly, the terms and conditions of the system are as follows: each year, the government sets the GHG emission unit caps, which correspond to the maximum amount that all reporting issuers can emit; this number decreases progressively every year. Emitters can receive emission units for free, buy them from the government when they are auctioned or at a reserve sale, or acquire them from other businesses through the secondary market. The minimum price for emission units, set by regulation, is increased by 5% every year and indexed as prescribed by section 83.3 of the *Financial Administration Act*.

At the end of each compliance period (generally three years),<sup>70</sup> emitters must provide the government with a number of emission allowances<sup>71</sup> equivalent to their GHG emissions for the years of the compliance period. To acquire emission allowances, emitters may:

- Participate in auctions of emission units organized by the government. Up to four auctions may be held
  each year. All income from these sales for units sold by the Québec government is paid into the
  Electrification and Climate Change Fund, in accordance with the Environment Quality Act;
- Purchase emission rights (emission units or offset credits) held by another entity that is a registrant with the cap-and-trade system;
- Purchase offset emission credits that were issued to enterprises or persons that have executed GHG
  emission reduction projects, in accordance with the requirements of the protocols set out in the
  regulations;<sup>72</sup>
- Participate in a government reserve sale, which can be held up to four times a year, to purchase emission units at set prices.<sup>73</sup>

# **CARBON CAPTURE, UTILIZATION AND STORAGE (CCUS)**

In its 2022 budget, the federal government announced the implementation of a new refundable tax credit respecting investments made to capture, utilize and store carbon. This credit is available in respect of eligible expenses incurred after 2021 and before 2041 for the purchase and installation of equipment, used in Canada, that is used solely to capture, transport, store or use  $CO_2$ . The equipment acquired must be used for an eligible CCUS project and the  $CO_2$  captured must be used for an eligible end use. The rate of the credit ranges between 37.5% and 60%, depending on the type of equipment acquired (rate between 18.75% and 30% for expenses incurred after 2030).

Ongoing compliance periods: 2021 to 2023.

<sup>&</sup>lt;sup>71</sup> Emission allowances include emission units and offset credits.

Despite the fact that an emitter can buy an unlimited number of offset credits, the emitter is limited to using credits for a maximum of 8% of its emissions to help it comply during the period in question. Furthermore, five project types may qualify as generating offset credits: destroying methane from a manure pit; destroying or processing methane from landfill sites; destroying substances that weaken the ozone layer contained in insulating foam or used as a refrigerant in refrigerating, freezing and air-conditioning devices; destroying methane from degasification systems in operating coal mines; and destroying methane from ventilation systems in operating coal mines.

To be eligible for a reserve sale, emitters must not hold emission units in their general account that can be used to cover GHG emissions for the current compliance period.



In Québec, most commercial transactions are subject to the 5% federal Goods and Services Tax (GST) and the 9.975% Québec Sales Tax (QST). The QST system was largely harmonized with the GST/HST system, and most transactions that are subject to the GST/HST are also subject to the QST.

GST registrants are required to collect the harmonized sales tax (HST) instead of GST when making supplies in certain provinces in Eastern Canada (Prince Edward Island, Newfoundland and Labrador, Nova Scotia, New Brunswick and Ontario, hereafter the "Participating Provinces"). HST is a value-added tax, like GST and QST. The rules governing HST are identical to those for GST and the HST rate includes GST at 5%. If HST is collectible, QST would not be.

Participating Provinces	HST Rate
Ontario	13%
Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island	15%

## **TAX BASE**

GST/HST and QST apply on the supply or importing of tangible and intangible movable and immovable property, as well as services. There are some exceptions, however. For example, goods and services to be exported, basic food and prescription drugs are generally zero-rated, that is, they are taxable, but at a zero rate. Other supplies are tax-exempt, such as financial services and some goods and services supplied by public service or charitable organizations, used residential buildings and medical services.

# **VALUE-ADDED TAX – MECHANISM**

As the GST/HST and QST are both value-added taxes, the cost is borne by the final consumer. Thus, if a corporation does business in Québec and is a GST/HST and QST registrant, it normally should not have to absorb any cost with respect to taxes paid or payable on supplies acquired in connection with its commercial activities due to input tax credits (ITCs) under the GST/HST regime and input tax refunds (ITRs) under the QST regime. ITCs and ITRs make it possible for GST/HST and QST registrants to obtain a refund of taxes paid or payable. Suppliers of taxable goods and services (including zero-rated supplies) may claim an ITC/ITR, if they are registered for purposes of GST/HST and QST, whereas suppliers of tax-exempt goods and services may not claim an ITC/ITR. When a registrant files its commodity tax return, ITCs and ITRs are applied against GST/HST and QST it has collected. Registrants must remit the difference to the tax authorities and will receive a refund for negative amounts. GST/HST and QST (for Québec residents)<sup>74</sup> remittances and claims are made on the same form either monthly, quarterly or annually, depending on the circumstances.

In some cases, tax-exempt supplies may entitle the supplier to specific partial refunds.

# **GST/HST and QST Registration – General System**

In general, a corporation must register for GST/HST and QST purposes if it operates a business in Canada (in Québec for QST purposes) and carries out taxable transactions in connection with a commercial activity. There is one exception. A person does not have to register if the person is a small supplier, i.e. a person who made less than \$30,000 of taxable transactions and zero-rated transactions<sup>75</sup> during the four previous calendar quarters.<sup>76</sup>

# **GST/HST** and **QST** Registration – Non-Resident Suppliers

Corporations outside Canada (outside Québec for QST purposes) and certain operators of digital distribution and accommodation platforms may be required to register for the designated GST/HST and QST systems for non-residents in certain situations, or may choose to register for the general GST/HST and QST systems. The designated systems do not allow registrants to claim ITCs and ITRs related to taxes paid or payable for supplies acquired in connection with their commercial activities. Non-residents may register for the designated systems through online portals.

# Imports - GST/HST and QST

Imported commercial goods are subject to GST (5%) at customs. However, a corporation can generally recover (as an ITC) the GST paid on imports if it is a GST registrant. There is no QST when commercial goods clear customs; however, the importer is required to self-assess if the goods are used in tax-exempt activities. Imported personal use goods are subject to the GST/HST and QST.

Importers of intangible movable property or a service that is not used exclusively in the course of their commercial activities are required to self-assess for GST/HST and QST, as applicable.

# **Exports – GST/HST and QST**

Exported goods are generally not subject to GST/HST and QST. The general principle for exports of services is that GST/HST will not be collected from a customer who is not a resident of Canada and QST will not be collected from a customer who is not a resident of Québec. Some exceptions apply, for example, when the service relates to tangible real property or immovable property in Québec/Canada.

For non-residents of Québec, GST/HST and QST remittances are made on separate forms with the Canada Revenue Agency and Revenu Québec.

<sup>&</sup>lt;sup>75</sup> Transactions of all corporations in the same group have to be considered in order to determine the amount of taxable transactions. Other rules apply.

<sup>&</sup>lt;sup>76</sup> Although a corporation may not be required to register for the GST/HST and QST systems, it can, in certain cases, do so voluntarily.

# **OTHER TAXES**

The provinces of Saskatchewan, Manitoba and British Columbia levy a provincial retail sales tax. This tax is over and above GST on the sale or leasing of tangible movable property or the provision of taxable services to the final consumer in these provinces. This tax is similar to the U.S. Sales & Use Tax. Individuals doing business in these provinces or carrying out solicitation activities to make taxable supplies may be required to register and collect the provincial sales tax as well as GST. In Saskatchewan and British Columbia, the registration obligations have recently been amended such that certain non-residents who deliver taxable goods in the province, but without carrying out solicitation activities, are required to register and collect taxes.

In addition, operators of distribution platforms that facilitate the sale of tangible goods, software for use on a device generally located in these provinces, certain taxable services or accommodation by non-residents may now be required to register in Manitoba and Saskatchewan, under certain conditions. In this case, the responsibility for collecting and remitting the provincial sales taxes on taxable sales facilitated by their distribution platforms is, in a sense, transferred to the platform operators. In July 2022, British Columbia will implement a similar obligation.

Certain products, including tobacco products, fuel and alcoholic beverages, as well as insurance products, are subject to Canada's excise tax and certain specific provincial and Québec taxes.

## PERSONAL TAXATION

Under Canada's tax system, the income tax payable by individuals depends on whether they are residents or non-residents of Canada. Individuals who are resident in Canada during a taxation year are subject to Canadian income tax on their world income. Non-resident individuals only have to pay Canadian income tax on their income earned in Canada. Individuals are subject to provincial income tax on their world income if they are resident in that province on December 31.

In general, individuals are considered to be residents of the Canadian province where they have substantial residential ties, i.e. the place where their dwelling or home is located and where the individual's spouse and children live. The facts of each situation have to be analyzed and a number of other criteria also have to be taken into consideration, including the tax treaties signed by Canada.<sup>77</sup>

<sup>77</sup> For more details on tax treaty developments, consult the Department of Finance Canada's website: fin.gc.ca.



It is difficult to compare the tax systems of any two countries because of the many differences that may exist between the two systems. Therefore, it cannot be said that one system is superior to the other simply based on corporate tax rates. Managers of corporations have to evaluate a country's tax system based on their own situation, taking into account the rules for computing taxable income, income tax rates, payroll taxes and commodity taxes, as well as the various tax measures.

Overall, Québec's tax system is very competitive because of its low corporate tax rates, the rules for computing taxable income and the various credits and tax holidays available to corporations.

This brochure provides an overview of the taxation of corporations in Québec. It does not contain all of the often complex details of these measures. The authors and editors are not responsible for the consequences of any decision made based on the information herein, or for any error or omission. A tax specialist should be consulted for additional explanations.

Information about all of the measures discussed in this brochure can be obtained from Raymond Chabot Grant Thornton.



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#### **NET COST OF R&D EXPENDITURES - SMB¹**

#### Example

A corporation realizing profits incurs \$100,000 of R&D expenditures, i.e. \$90,000 for the salary of a researcher, \$5,000 for subcontracting in Québec and \$5,000 for materials. In this example, only the amount of R&D expenditures exceeding the corporation's exclusion threshold is considered.<sup>2</sup>

EXPE	NDITURES December 31, 2022	\$
Α	Salaries	90,000
В	Arm's-length subcontractors	5,000
С	Materials	5,000
D	Total R&D expenditures	100,000
	Québec tax credit	
Ε	[(A + B/2) x 30%]	27,750
	Federal tax credit	
	Total eligible expenditures (A + 0.8B + C)	99,000
	Overhead A x 55% <sup>3</sup>	49,500
	Less Québec credit	(27,750)
F	Expenditures eligible for credit	120,750
G	F x 35%	42,263
Н	Total tax credits (E + G)	70,013
	Net cost to corporation before income taxes (D - H)	29,987
	Tax savings	
	Federal [(D – H) x 9%]	2,699
	Québec [(D – H) x 3.2%]	960
I	Total tax savings	3,659
J	Net cost to corporation (D – H – I)	26,328

For the purposes of the Québec tax credit, an SMB is a Canadian-controlled private corporation whose assets in the financial statements of all the corporations in the group are less than \$50 million.

For purposes of the federal tax credit, an SMB is a Canadian-controlled private corporation whose taxable capital for all the corporations in the group does not exceed \$10 million for the preceding taxation year.

The first dollars that a taxpayer spends below the exclusion threshold are not eligible for the Québec salary R&D tax credit. The exclusion threshold is \$50,000 for an SMB.

 $<sup>^3</sup>$  Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of R&D salaries.

# NET COST OF R&D EXPENDITURES – LARGE CORPORATION OR FOREIGN-CONTROLLED CORPORATION REALIZING PROFITS

#### Example

A corporation realizing profits incurs \$100,000 of R&D expenditures, i.e. \$90,000 for the salary of a researcher, \$5,000 for subcontracting in Québec and \$5,000 for materials. In this example, only the amount of R&D expenditures exceeding the corporation's exclusion threshold is considered.<sup>1</sup>

EXPENDITURES December 31, 2022		\$
А	Salaries	90,000
В	Arm's-length subcontractors	5,000
С	Materials	5,000
D	Total R&D expenditures	100,000
	Québec tax credit	
Ε	[(A + B/2) x 14%]	12,950
	Federal tax credit	
	Total eligible expenditures (A + 0.8B + C)	99,000
	Overhead A x 55% <sup>2</sup>	49,500
	Less Québec credit	(12,950)
F	Expenditures eligible for credit	135,550
G	F x 15%	20,333
Н	Total tax credits (E + G)	33,283
	Net cost to corporation before income taxes (D - H)	66,717
	Tax savings	
	Federal [(D – H) x 15%]	10,008
	Québec [(D - H) x 11.5%]	7,672
I	Total tax savings	17,680
J	Net cost to corporation (D - H - I)	49,037

The first dollars that a taxpayer spends below the exclusion threshold are not eligible for the Québec R&D salary tax credit. The exclusion threshold is between \$50,000 and \$225,000, based on the size of the corporation.

 $<sup>^2</sup>$  Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of R&D salaries.

# NET COST OF R&D EXPENDITURES - LARGE CORPORATION OR FOREIGN-CONTROLLED CORPORATION REALIZING LOSSES

#### Example

A corporation realizing losses incurs \$100,000 of R&D expenditures, i.e. \$90,000 for the salary of a researcher, \$5,000 for subcontracting in Québec and \$5,000 for materials. In this example, only the amount of R&D expenditures exceeding the corporation's exclusion threshold is considered.<sup>1</sup>

EXPENDITURES December 31, 2022		\$
А	Salaries	90,000
В	Arm's-length subcontractors	5,000
С	Materials	5,000
D	Total R&D expenditures	100,000
	Québec tax credit	
Е	[(A + B/2) x 14%]	12,950
	Federal tax credit	
	Total eligible expenditures (A + 0.8B + C)	99,000
	Overhead A x 55% <sup>2</sup>	49,500
	Less Québec credit	(12,950)
F	Expenditures eligible for credit	135,550
G	F x 15% <sup>3</sup>	0
Н	Total tax savings (E + G)	12,950
1	Net cost to corporation before income taxes (D – H)	87,050

The first dollars that a taxpayer spends below the exclusion threshold are not eligible for the Québec R&D salary tax credit. The exclusion threshold is between \$50,000 and \$225,000, based on the size of the corporation.

<sup>&</sup>lt;sup>2</sup> Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of R&D salaries.

<sup>&</sup>lt;sup>3</sup> Since the corporation is realizing losses and the credit is not refundable, the corporation can benefit from its federal credit only if it has realized profit within the three previous years or if it realizes profit in the next 20 years.

# TAX CREDITS FOR THE DEVELOPMENT OF E-BUSINESS

# Example

A large corporation incurs \$100,000 of salary expenditures in respect of an employee who spends 25% of his time on R&D activities and 75% of his time on activities that are eligible for the tax credits for the development of e-business (CDAE).

EXPE	NDITURES December 31, 2022	\$
Α	Employee's salary	100,000
В	Percentage of salary eligible for R&D tax credit	25%
С	Percentage of salary eligible for CDAE tax credits	75%
	Québec R&D tax credit <sup>1</sup>	
Ε	[(A x B x 14%]	3,500
	Federal R&D tax credit	
	Total eligible expenditures (A x B)	25,000
	Overhead A x B x 55% <sup>2</sup>	13,750
	Less Québec credit	(3,500)
F	Expenditures eligible for credit	35,250
G	F x 15%	5,288
Н	Total R&D tax credits (E + G)	8,788
	CDAE	
ı	Annual ceiling (83,333 x C)	62,500
J	Employee's salary (A x C)	75,000
K	Salary eligible for credit (lesser of I and J)	62,500
L	Refundable CDAE (24% x K)	15,000
М	Non-refundable CDAE (6% x K)	3,750
N	Total CDAE tax credits (L + M)	18,750
0	Total tax credits in respect of the employee's salary (H + N)	27,538

The first dollars that a taxpayer spends below the exclusion threshold are not eligible for the Québec R&D salary tax credit. The exclusion threshold is between \$50,000 and \$225,000, based on the size of the corporation. In this example, we are not considering the exclusion threshold.

<sup>&</sup>lt;sup>2</sup> Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of R&D salaries.

#### ENTITIES ELIGIBLE FOR UNIVERSITY R&D CREDIT

# **Eligible Public Research Centres**

Eligible public research centres include:

- Government research centres:
- College technology transfer centres (CTTC);
- SR&ED organizations.

Most of the college technology transfer centres (CTTC) presented in Appendix 6 are eligible for the university R&D credit. Contact the CTTC of your choice to ensure that it is eligible for this credit.

For a list of eligible public research centres and SR&ED organizations, consult the list published by the Ministère de l'Économie et de l'Innovation at the following link: List of eligible public research centres.

# **Eligible University Entities**

All universities in Québec

The following medical research university hospital centres, including a wholly owned subsidiary of one of these centres or a non-profit corporation under the authority of one of them:

#### The following McGill University network centres:

- Douglas Hospital;
- Douglas Hospital's Research Centre;
- McGill University Health Centre;
- McGill University Health Centre Research Institute:
- Sir Mortimer B. Davis Jewish General Hospital.

## The following Université de Montréal network centres:

- CHUM (including Hôpital Notre-Dame, Hôpital Saint-Luc and Hôtel-Dieu de Montréal);
- CHU Sainte-Justine;
- Hôpital du Sacré-Cœur de Montréal;
- Hôpital Louis-H. Lafontaine;
- Hôpital Maisonneuve-Rosemont;
- Institut de réadaptation de Montréal;
- Institut de recherches cliniques de Montréal;
- Institut du cancer de Montréal;
- Institut Philippe-Pinel de Montréal;
- Institut universitaire de gériatrie de Montréal (IUGM);
- Montréal Heart Institute.

#### The following Université Laval network centres:

- Centre hospitalier affilié universitaire de Québec (CHA);
- Centre hospitalier universitaire de Québec (CHUQ);
- Institut universitaire de cardiologie et de pneumologie du Québec.

#### Centre hospitalier universitaire de Sherbrooke (CHUS)

#### **Research Consortia**

For a list of research consortia, consult the list published by the Ministère de l'Économie et de l'Innovation at the following link: Recognition of eligible research consortia.

# **ENTITIES ELIGIBLE FOR TECHNOLOGICAL ADAPTATION SERVICES CREDIT**

# **Eligible Liaison and Transfer Centres**

- Centre francophone d'informatisation des organisations (CEFRIO);
- Centre interuniversitaire de recherche en analyse des organisations (CIRANO);
- Centre québécois de recherche et de développement de l'aluminium (CQRDA);
- Computer Research Institute of Montréal (CRIM).

# **Eligible College Technology Transfer Centres**

An eligible collegiate technology centre includes any affiliated prescribed research centres. For a list of college technology transfer centres, consult the list published by the Réseau des CCTT: <u>List of centres</u>.

# TERRITORIES INCLUDED IN THE VARIOUS ZONES FOR THE TAX CREDIT RELATING TO INVESTMENT AND INNOVATION

# **Low Economic Vitality Zone**

The low economic vitality zone consists of the following regional county municipalities (RCMs) and urban agglomerations:

Low Economic Vitality Zone			
Antoine-Labelle	Le Golfe-du-Saint-Laurent		
Argenteuil	Le Rocher-Percé		
Avignon	Les Appalaches*		
Bonaventure	Les Basques		
Charlevoix-Est	Les Etchemins		
Communauté maritime des Îles-de-la-Madeleine*	Les Sources		
La Côte-de-Gaspé*	Maria-Chapdelaine		
La Haute-Côte-Nord	Maskinongé**		
La Haute-Gaspésie	Matawinie		
La Matanie	Mékinac		
La Matapédia	Papineau**		
La Mitis	Pontiac		
La Tuque	Shawinigan		
La Vallée-de-la-Gatineau	Témiscouata		
Le Domaine-du-Roy**			

- \* The Communauté maritime des Îles-de-la-Madeleine and the Côte-de-Gaspé and Appalaches RCMs will be removed from the low economic vitality zone in respect of eligible expenses incurred after March 31, 2023, for the acquisition of eligible property after that date.
- \*\* The **Domaine-du-Roy**, **Maskinongé** and **Papineau** RCMs have been added to the low economic vitality zone in respect of eligible expenses incurred after **June 30, 2021**, for the acquisition of eligible property as of that date.<sup>78</sup>

#### **Intermediate Zone**

The intermediate zone consists of the territories located in Québec outside the low economic vitality zone and the high economic vitality zone.

Excluding property acquired in accordance with a written obligation entered into before July 1, 2021, and property the construction of which had started by June 30, 2021.

# **High Economic Vitality Zone**

The high economic vitality zone consists of the municipalities whose territories constitute the Communauté métropolitaine de Montréal and the Communauté métropolitaine de Québec, which are listed below:

Municipalities of the Communauté métropolitaine de Montréal			
Baie-D'Urfé	Hampstead	Mont-Saint-Hilaire	Saint-Mathias-sur-Richelieu
Beaconsfield	Hudson	Notre-Dame-de-l'Île-Perrot	Saint-Mathieu
Beauharnois	Kirkland	Oka	Saint-Mathieu-de-Beloeil
Beloeil	La Prairie	Otterburn Park	Saint-Philippe
Blainville	L'Assomption	Pincourt	Saint-Sulpice
Boisbriand	Laval	Pointe-Calumet	Sainte-Anne-de-Bellevue
Bois-des-Filion	Léry	Pointe-Claire	Sainte-Anne-des-Prairies
Boucherville	Les Cèdres	Pointe-des-Cascades	Sainte-Catherine
Brossard	L'Île-Cadieux	Repentigny	Sainte-Julie
Calixa-Lavallée	L'Île-Dorval	Richelieu	Sainte-Marthe-sur-le-Lac
Candiac	L'Île-Perrot	Rosemère	Sainte-Thérèse
Carignan	Longueuil	Saint-Amable	Senneville
Chambly	Lorraine	Saint-Basile-le-Grand	Terrasse-Vaudreuil
Charlemagne	Mascouche	Saint-Bruno-de-Montarville	Terrebonne
Châteauguay	McMasterville	Saint-Constant	Varennes
Contrecœur	Mercier	Saint-Eustache	Vaudreuil-Dorion
Côte-Saint-Luc	Mirabel	Saint-Isidore	Vaudreuil-sur-le-Lac
Delson	Montréal	Saint-Jean-Baptiste	Verchères
Deux-Montagnes	Montréal-Est	Saint-Joseph-sur-le-Lac	Westmount
Dollard-Des-Ormeaux	Montréal-Ouest	Saint-Lambert	
Dorval	Mont-Royal	Saint-Lazare	

Municipalities of the Communauté métropolitaine de Québec			
Beaupré	L'Ancienne-Lorette	Saint-Gabriel-de-Valcartier	Sainte-Anne-de-Beaupré
Boischatel	L'Ange-Gardien	Saint-Jean-de-l'Île- d'Orléans	Sainte-Brigitte-de-Laval
Château-Richer	Lévis	Saint-Joachim	Sainte-Catherine-de-la- Jacques-Cartier
Fossambault-sur-le- Lac	Québec	Saint-Laurent-de-l'Île- d'Orléans	Sainte-Famille-de-l'Île- d'Orléans
Lac-Beauport	Saint-Augustin-de- Desmaures	Saint-Louis-de-Gonzague- du-Cap-Tourmente	Sainte-Pétronille
Lac-Delage	Saint-Ferréol-les-Neiges	Saint-Pierre-de-l'Île- d'Orléans	Shannon
Lac-Saint-Joseph	Saint-François-de-l'Île- d'Orléans	Sainte-Tite-des-Caps	Stoneham-et-Tewkesbury



Île de Bonaventure, Gaspésie, Québec, Alexandre Blanche

# Taxation in Québec

# Favourable Measures to Foster Investment 2022

Written by Raymond Chabot Grant Thornton in collaboration with Investissement Québec and the Ministère de l'Économie et de l'Innovation.

Cette brochure est aussi disponible en français.

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