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### Elimination of the tax on capital for manufacturing corporations

A deduction in the calculation of paid-up capital will be granted to manufacturing corporations so that they may completely eliminate their tax on capital.

Where the proportion of manufacturing and processing activities of a corporation is 50% or more for a given taxation year, the deduction granted is equal to the corporation's total paid-up capital for that year. Where such proportion is between 50% and 20% for a given taxation year, the deduction granted in the calculation of the corporation's paid-up capital for that year is reduced linearly.

This deduction applies to taxation years ending after March 13, 2008. Accordingly, the capital tax credit will no longer be available.

For further information, see page A.75 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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## Enhanced tax assistance for scientific research and experimental development (R&D)

### Enhancement of the refundable tax credit for salaries and wages (R&D)

For this tax credit, the R&D qualified expenditure limit to which the increased rate of 37.5% applies is raised to \$3 million.

For further information, see page A.99 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Enhancement of the refundable tax credit for private partnership pre-competitive research

The tax legislation will be amended so that an excluded partner, as defined by the *Taxation Act*, will no longer disqualify a partnership agreement for the purposes of this tax credit. However, for such an agreement to qualify for the purposes of the tax credit, the legislation will require that at least two partners not be excluded partners.

The tax legislation will be amended to specify that a partner other than an excluded partner is eligible for this tax credit provided that, throughout the taxation year, such partner is not related to any excluded partner and deals at arm's length with the other partners that are not excluded partners.

The tax legislation will be amended so that an R&D expenditure incurred in respect of a research contract entered into with an eligible university entity, an eligible public research centre or an eligible research consortium will no longer be a qualified expenditure for the purposes of the tax credit for private partnership pre-competitive research.

An exception will be added to the contribution rules so that an R&D expenditure incurred by an excluded partner to carry out an R&D project under a partnership agreement will not reduce the amount of the other partners' R&D expenditures for the purposes of calculating this tax credit.

For further information, see page A.100 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Enhancement of the refundable tax credit for pre-competitive research

The tax legislation will be amended so that an R&D expenditure incurred by an excluded partner to carry out an R&D project under a partnership agreement will be deemed not to be a contribution for the other partners of the agreement.

For further information, see page A.107 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Enhancement of the refundable tax credit for university research or research carried out by a public research centre or a research consortium

An exception will be added to the contribution rules so that an R&D expenditure incurred by an eligible university entity, an eligible public research centre or an eligible research consortium in respect of R&D work carried out under a research contract will be deemed not to be a contribution and therefore will not reduce the amount of the R&D expenditures relating to the research contract awarded to such entity, centre or consortium.

For further information, see page A.108 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Elimination of an exception to the contribution rules

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### Improvement to the tax credit for on-the-job training

The rate of the tax credit for on-the-job training regarding an eligible trainee who is a handicapped person or an immigrant will be 40% where the eligible employer is a corporation, and 20% in other cases.

The maximum number of hours of supervision provided by an eligible supervisor that an employer may include in calculating the eligible expenditure regarding an eligible trainee will be increased. For a handicapped person enrolled as a full-time student in a prescribed program, the maximum number of hours will be raised to 40 hours per week, and for any other eligible trainee who is a handicapped person, it will be raised to 20 hours.

The weekly cap on the eligible expenditure that applies to an eligible trainee will be increased to \$1,050 per week for a handicapped person enrolled as a full-time student in a prescribed program, and to \$750 per week for any other eligible trainee who is a handicapped person.

For further information, see page A.95 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Interprovincial tax avoidance

Tax legislation will be amended to require that the end-date of a corporation's fiscal period be synchronized with that elected for the purposes of the *Income Tax Act*. The amendment will apply as of December 20, 2006.

In the coming months, Québec's tax authorities will intensify their fight against aggressive tax planning schemes.

For more information, see page A.116 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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## Introduction of a tax credit for francization in the workplace

### Tax credit for francization in the workplace

An eligible employer may claim, for a taxation year, a refundable tax credit equal to 30% of the eligible training expenditures incurred for each eligible employee after March 13, 2008 and before January 1, 2012.

"Eligible employer" means a corporation, other than an excluded corporation, or a partnership that has an establishment in Québec.

"Eligible employee" means an immigrant working for an eligible employer at an establishment located in Québec.

"Eligible training" means a course designed to foster the francization of immigrants in which the eligible employee is enrolled, given by an eligible trainer under a contract entered into by the employer and trainer.

"Eligible training expenditure" means an amount equal to the total of the following amounts:

- the cost of the eligible training in which an eligible employee is enrolled;
- the lesser of the following amounts:
  - the wage or salary paid to an eligible employee and attributable to the period during which the employee attended the eligible training,
  - double the cost of the eligible training.

Furthermore, the expenditure must have been paid by the time the claim for the tax credit is filed with Revenu Québec.

Different calculation rules apply in the case of eligible employers to which the *Act to promote workforce skills development and recognition* applies.

For further information, see page A.85 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Concordance changes for the manufacturing sector

Because of the introduction of the refundable tax credit for francization in the workplace, concordance changes must be made to the refundable tax credit for manpower training in the manufacturing sector.

For further information, see page A.92 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Introduction of a tax credit for the development of e-business

A corporation may claim a tax credit for the development of e-business equal to 30% of the eligible salaries it incurs after March 13, 2008, and before January 1, 2016. The salaries must be paid to eligible employees to carry out eligible activities in the information technologies sector. The maximum amount of the tax credit that an eligible corporation may claim for an eligible employee for a taxation year is limited to \$20,000, calculated on an annual basis. To be eligible, the salary must have been paid by the time the credit is being claimed.

An eligible corporation is a corporation other than an excluded corporation that has an establishment in Québec where it operates a business whose activities are part of the information technologies sector. An eligible corporation must obtain an eligibility certificate from Investissement Québec each year.

The expression "eligible salary" means the salary calculated according to the Taxation Act and incurred by the eligible corporation, in the year, regarding its eligible employees for the year, reduced by the amount of any assistance. The eligible salary regarding an eligible employee is limited to \$66,667, calculated on an annual basis.

For further information, see page A.79 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Measures concerning culture

#### Eligibility of circus performances, aquatic performances and ice performances

Circus performances, aquatic performances and ice performances will be considered qualified performances for the tax credit for the production of performances.

For further information, see page A.110 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

#### Change to the rate and cap of the refundable tax credit for the production of performances

In cases where the total assets of a production company are equal to or less than \$50 million for the preceding taxation year, the rate of the tax credit for the production of performances remains 29.1667% and the cap remains \$750,000. However, the rate and cap will decline linearly to zero where total assets reach \$75 million.

For further information, see page A.110 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

#### Inter-provincial co-productions

Rules governing the relations of partners in an inter-provincial co-production and satisfying Canadian and international standards in this field will be introduced.

For further information, see page A.112 of [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

#### Entertainment expenses

For further information, see page A.113 of [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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## Measures to foster private investment and the economic development of every region

### Introduction of an investment tax credit for manufacturing and processing equipment

An investment tax credit has been introduced with regard to the acquisition of manufacturing and processing equipment made after March 13, 2008, and before January 1, 2016. The rate of the investment tax credit is 5%.

This rate may be increased to 20% where the eligible investment is made in an intermediate zone (for example, Saguenay-Lac-Saint-Jean), to 30% where the investment is made in the Bas-Saint-Laurent region and to 40% where the investment is made in a remote zone (for example, Abitibi-Témiscamingue).

For an eligible corporation to benefit from the increased rates of 20%, 30% or 40%, its paid-up capital, calculated on a consolidated basis, must not exceed \$250 million. Where a corporation's paid-up capital is higher than \$250 million but lower than \$500 million, the 20%, 30% and 40% rates must be reduced linearly until the 5% rate is reached. Accordingly, where a corporation's consolidated paid-up capital is \$500 million or more, the rate is 5%.

### Refundability of the tax credit according to the size of the corporation

The investment tax credit to which a corporation is entitled for a given taxation year may be deducted from income tax and from the tax on capital otherwise payable for that year. Moreover, a corporation whose consolidated paid-up capital does not exceed \$250 million may benefit fully from the refundability of the credit for the portion that is more than its income tax and tax on capital for the year. Where a corporation's consolidated paid-up capital is between \$250 million and \$500 million, the refundable portion of the credit will be reduced linearly. Consequently, where a corporation's consolidated paid-up capital is \$500 million or more, no portion of the tax credit will be refundable. However, the non-refundable portion may be carried back to the preceding three taxation years (ended after March 13, 2008) or forward to the following twenty taxation years.

For further information, see page A.60 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Changes to various tax credits granted in the resource regions

For further information, see page A.67 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Contributions to the U.S. social security system: eligibility for the foreign tax credit

Generally speaking, in 2004, Revenu Québec and the Canada Revenue Agency stopped considering contributions paid by employees to the social security system of a foreign country to be income tax on non-business income for purposes of the foreign tax credit.

However, pursuant to the *Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital*, the federal government does grant foreign tax credit in respect of FICA contributions, that is, contributions made to the U.S. system under the *Federal Insurance Contributions Act*. The Québec government is not bound by that tax convention.

To return to the situation that existed prior to 2004 with respect to FICA contributions, the tax legislation will be amended, retroactively to 2004, so that such contributions (which include both Social Security and Medicare taxes) paid to the U.S. will be eligible for the foreign tax credit as income tax on non-business income.

For further information, see page A.53 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Enhancement of the stock option deduction granted to employees of innovative small and medium-sized enterprises (SMEs)

The stock option deduction granted to employees of SMEs carrying out innovative activities is raised from 25% to 50%.

A corporation will be considered an SME carrying out innovative activities for a given calendar year that includes a time when the stock option is granted if, during that year, the corporation carries on a business in Québec and has an establishment in Québec. In addition, the corporation must meet the following conditions:

- the amount of its assets as shown in its financial statements submitted to shareholders for its taxation year ended in the calendar year preceding the given year or, if the corporation is in its first fiscal year, the amount of its assets at the beginning of its first fiscal year, is less than \$50 million, taking into account the assets of the corporations with which it is associated in the taxation year;
- it was granted an amount as a refundable R&D tax credit for its taxation year ended in the given year, or for one of the three previous taxation years.

For further information, see page A.50 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Greater recognition of meal expenses for commission employees

To better recognize the expenses that commission employees must incur to earn income, tax legislation will be amended to provide that the 12-hour rule will no longer apply to business meals consumed by commission employees whose office or employment is connected with the selling of property or the negotiating of contracts on behalf of their employer.

The deductible amount is equal to 50% of the amount paid by commission employees for a meal with a client or of a reasonable amount in the circumstances, whichever is lower.

For further information, see page A.52 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Improvement of tax assistance for retirees

To improve tax assistance for retirees, changes will be made to the age amount and the amount for retirement income. The new measures take effect as of January 1, 2009.

#### Age amount

Presently the age amount is \$2,200. The amount is granted to all individuals who are at least 65 years of age at the end of the year in question. Where an individual and his or her eligible spouse at the end of the year are both 65, an amount of \$4,400 is taken into account in calculating the tax credit.

The tax legislation will be amended to automatically index the age amount each year.

#### Amount for retirement income

An individual's maximum eligible retirement income used to calculate the tax credit will increase from \$1,500 to \$1,750 for the 2009 taxation year, and from \$1,750 to \$2,000 as of the 2010 taxation year.

The maximum amount of \$2,000 for retirement income will be indexed automatically each year as of the 2011 taxation year.

For further information, see page A.30 of [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Improvement of the tax assistance granted to persons who turn to medical assistance or adoption to become parents

Persons who use certain medical techniques or choose adoption to become parents are entitled to tax assistance.

The rate of the refundable tax credits for adoption expenses and for the treatment of infertility (as of the first attempt) will be raised from 30% to 50%. This means that each tax credit will be equal to 50% of all eligible expenses. Expenses are capped at \$20,000.

Therefore, persons who opt to undergo treatment for infertility will be eligible for tax assistance of up to \$10,000 per year. Those who turn to adoption will be eligible for tax assistance of up to \$10,000 per child adopted.

The improvement to the credit for the treatment of infertility will apply as of 2008. The enhancement of the credit for adoption expenses will apply in cases where a qualifying certificate with respect to the adoption of a child is issued after December 31, 2007, or where a qualifying judgment in that regard was rendered after December 31, 2007.

For more information, see page A.58 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

The measure described in *Additional Information on the Budgetary Measures (2007-2008)* pertaining to the refundable tax credit for the treatment of infertility has been dropped.

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### Improvements to the tax credit for child-care expenses

To narrow the gap between the net child-care costs of middle-class families that do not benefit from the reduced contribution and families that do, the rate table used to determine the refundable tax credit for child-care expenses will be replaced as of the 2009 taxation year.

In order for families to benefit from the improvements to the tax credit as of January 2009, the rate table used to determine advance payments of the refundable tax credit for child-care expenses will also be replaced.

Individuals who apply for advance payments for a year after 2008 must agree to have the payments made by direct deposit into an account held by the individual in a financial institution located in Québec.

For more information, see page A.56 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Introduction of a refundable tax credit for respite expenses of informal caregivers

The role of informal caregivers is increasing, and some caregivers must turn to specialized services for respite.

To obtain specialized respite services, informal caregivers must sometimes incur expenses for which they receive no tax assistance. For example, individuals with no work income and no income tax payable cannot claim tax credits for medical expenses.

Recognizing informal caregivers' need to get away and recoup, a refundable tax credit for expenses incurred for specialized respite services, of up to \$1,560 a year, has been introduced for 2008.

Specialized respite services are services that consist in replacing an informal caregiver in order to provide home care to a person with a significant disability, where the services are provided by an individual who holds a recognized diploma or degree, namely

- a Diploma of Vocational Studies (DVS) in Home Care and Family and Social Assistance;
- a Diploma of Vocational Studies (DVS) in Assistance to Patients or Residents in Health Care Establishments;
- a Diploma of Vocational Studies (DVS) in Health, Assistance and Nursing;
- a Diploma of College Studies (DCS) in Nursing;
- a Bachelor's degree in Nursing;
- any other diploma or degree enabling an individual to be a visiting homemaker, home support worker, family and social auxiliary, nursing attendant, health care aide, beneficiary care attendant, nursing assistant or nurse.

In this regard, a person is deemed to hold a recognized diploma or degree if he or she is employed by a social economy business accredited by the Ministère de la Santé et des Services sociaux for the provision of specialized respite services.

For further information, see page A.31 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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## New measures to increase the incentive to work

### New work premium for persons with a severely limited capacity for employment

A new work premium, the adapted work premium, will be granted as of the 2008 taxation year to individuals who are part of a household that includes an adult with a severely limited capacity for employment, and who meet the conditions for receiving the existing work premium.

Revenu Québec considers individuals to be part of such a household if

- they receive a social solidarity allowance during the year under the Social Solidarity Program (established under the *Individual and Family Assistance Act*) because their capacity for employment is severely limited;
- they are the eligible spouse for the year, of an individual who receives a social solidarity allowance during the year under the Social Solidarity Program;
- they or their eligible spouse for the year received, during one of the five years preceding the given year, a social solidarity allowance under the Social Solidarity Program or a severely limited capacity for employment allowance under the *Act respecting income support, employment assistance and social solidarity*; or
- they or their eligible spouse for the year is entitled, for the year, to the tax credit for severe and prolonged impairment in physical or mental functions.

Where an individual is entitled to both the existing and the adapted work premium for a given year, the person may claim only one of the two premiums for that year. Moreover, where an individual claims the adapted work premium for a given year, the individual's eligible spouse for the year may not claim the existing work premium.

### Calculation of the adapted work premium

The method used to calculate the adapted work premium is basically the same as that of the existing work premium, however, the parameters used to calculate the excluded work income, the tax credit rate and the reduction and cut-off thresholds differ.

For further information, see page A.36 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

### Supplement for long-term recipients giving up last-resort financial assistance

To facilitate labour market integration of long-term recipients who give up last-resort financial assistance after March 31, 2008, a supplement to the existing or adapted work premium to which they are entitled will be granted to them.

This supplement will be for individuals who received last-resort financial assistance for at least 36 of the 42 months preceding the month in which they became ineligible for the assistance because of work income earned by their household, provided they hold, for this first month of ineligibility, a claim booklet issued by the Ministère de l'Emploi et de la Solidarité sociale enabling them to receive certain dental and pharmaceutical services.

Individuals who are entitled to the existing or adapted work premium for a given year may receive \$200 for each given month in the year in which they earn at least \$200.

The supplement will be granted on an individual basis for a maximum of 12 consecutive months. Consequently, for a continuous period of work of at least 12 months, the supplement could reach \$2,400 for an ex-recipient with no spouse and \$4,800 in the case of a couple in which both spouses are ex-recipients, where both spouses have integrated the labour market.

For further information, see page A.41 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

## Households without children: Eligibility for advanced payments

As a rule, households with children may request to have part of the existing work premium paid to them in advance, and will be able to do so, as of 2009, for the adapted work premium to which they believe they are entitled for a given year. As of 2009, households without children will also be able to request advance payments.

For further information about advance payments, see page A.45 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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### Tax credit for home-support services for seniors

Changes to the tax credit for home-support services for seniors were announced in the Budget Speech of March 13, 2008. The changes are designed to simplify the calculation of the credit and increase the assistance granted. Below is an overview of the principal changes.

- In 2008, the tax credit rate increases from 25% to 30%.
- The annual ceiling on eligible expenses increases from \$15,000 to \$15,600 (\$21,600 for a [dependent senior](#)).
- The maximum amount of the tax credit increases from \$3,750 to \$4,680 (\$6,480 for a dependent senior).
- The maximum amount of the tax credit will be reduced on the basis of family income (the income of the senior and, where applicable, his or her eligible spouse for the year). The tax credit will be reduced by 3% of each dollar of family income in excess of the \$50,000 annual threshold.
- The method for determining the amount of eligible expenses included in rent is simplified.
- New formalities apply to applications for advance payments of the tax credit.
- Eligibility requirements will be modified for certain expenses for the tax credit for medical expenses.

For further information, see pages A.5 to A.29 in [Additional Information on the Budgetary Measures](#) published by the Ministère des Finances.

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