Ten-year tax holiday for

Major Investment Projects

Tax holiday - Major projects

Description

- Full ten-year tax holiday for a major investment project in Québec
- Projects beginning after March 15, 2000
- The tax holiday applies to the three tax sources of the basic corporate tax system in Québec
  - Income tax (8.9%)
  - Tax on capital:
    - general (0.64 %)
    - financial institutions (1.28%)
    - insurers: % of premiums (2% life, 3% property)
    - life insurers: compensatory tax on capital (1.25%)
  - Payroll tax - HSF (4.26%)

Tax holiday (continued)

Eligible projects

- Investment of $300 M or more in the case of a **project involving the expansion or modernization** of a production unit in Québec
  - — For **new installations** in Québec, the investment project must also give rise to an increase in payroll of at least $4 M (net creation of about 100 jobs)
  - — A period of 48 months is allowed to reach this threshold
  - — Targets mainly manufacturing investments (capital-intensive)

Tax holiday (continued)

Eligible projects (continued)

- An investment project giving rise to an increase in payroll of at least $15 M in Québec
  - Payroll corresponds to net creation of about 350 jobs (depending on salary level)
  - A period of 36 months is allowed to reach this threshold
  - Targets mainly projects with significant job creation

Tax holiday (continued)

Eligible sectors

- Primary sector
- Manufacturing sector
- Propulsive service sector (excluding placement bureaus and accounting services)

Tax holiday (continued)

Investment

- All capital expenditures incurred to obtain goods or services to carry on a business in Québec
  - Eligible: expenditures relating to carrying out the investment project in Québec
  - Ineligible: expenditures relating to the acquisition of a business in Québec and for land

Tax holiday (continued)

Payroll

- All salaries paid to employees of the company that carries out the major investment project

  — Eligible: salary paid to employees in Québec in the activity sector in which the major investment project is carried out

  — Ineligible: salaries relating to the acquisition of a business in Québec and salaries paid to employees whose duties consist in building, expanding, improving or modernizing the site

Tax holiday (continued)

Terms and conditions

- The tax holiday becomes effective once the minimum investment thresholds are reached
- The tax holiday will apply retroactively as of the date the business begins operations
- Special case
  - — For projects involving an investment of over $300 M
    - the tax holiday can begin at the same time as the business begins operations even if the minimum thresholds have not been reached at that time

Tax holiday (continued)

Procedure

- The MFQ must issue an initial eligibility certificate <u>before the project begins to be carried out</u>
- For this purpose, send a business plan to the MFQ including
  - General information (corporation, contact)
  - Description of the project
  - Description of investments and jobs
  - Budgeted financial forecasts for the next ten years
- Annual certificates: maintain thresholds

Tax holiday (continued)

Procedure

- Send applications to:

Mr Luc Meunier
Sous-ministre associé aux politiques fiscales
et budgétaires et institutions financières
Ministère des Finances
12, rue Saint-Louis
Québec (Québec) G1R 5L3

Tax holiday (continued)

Additional information

- For more information:

  Ministère des Finances
  Direction des régimes fiscaux et des mesures structurantes applicables aux entreprises
  12, rue Saint-Louis
  Québec (Québec) G1R 5L3
  Tel: (418) 691-2286

Tax holiday (continued)

Additional information

- The budget paper "*Additional information on the budgetary measures*" provides detailed information on the measure. It is available on the ministère des Finances website at:

www.finances.gouv.qc.ca/anglais/budget/2000-2001/pdf/additional_information-1.pdf

Changes have been made make the measure more flexible. They are described in the information bulletin "*Adjustments and clarification concerning certain fiscal development measures applicable to businesses*" of October 20, 2000 and available at:

www.finances.gouv.qc.ca/anglais/documents/bulletin/pdf/2000-6-a-b.pdf