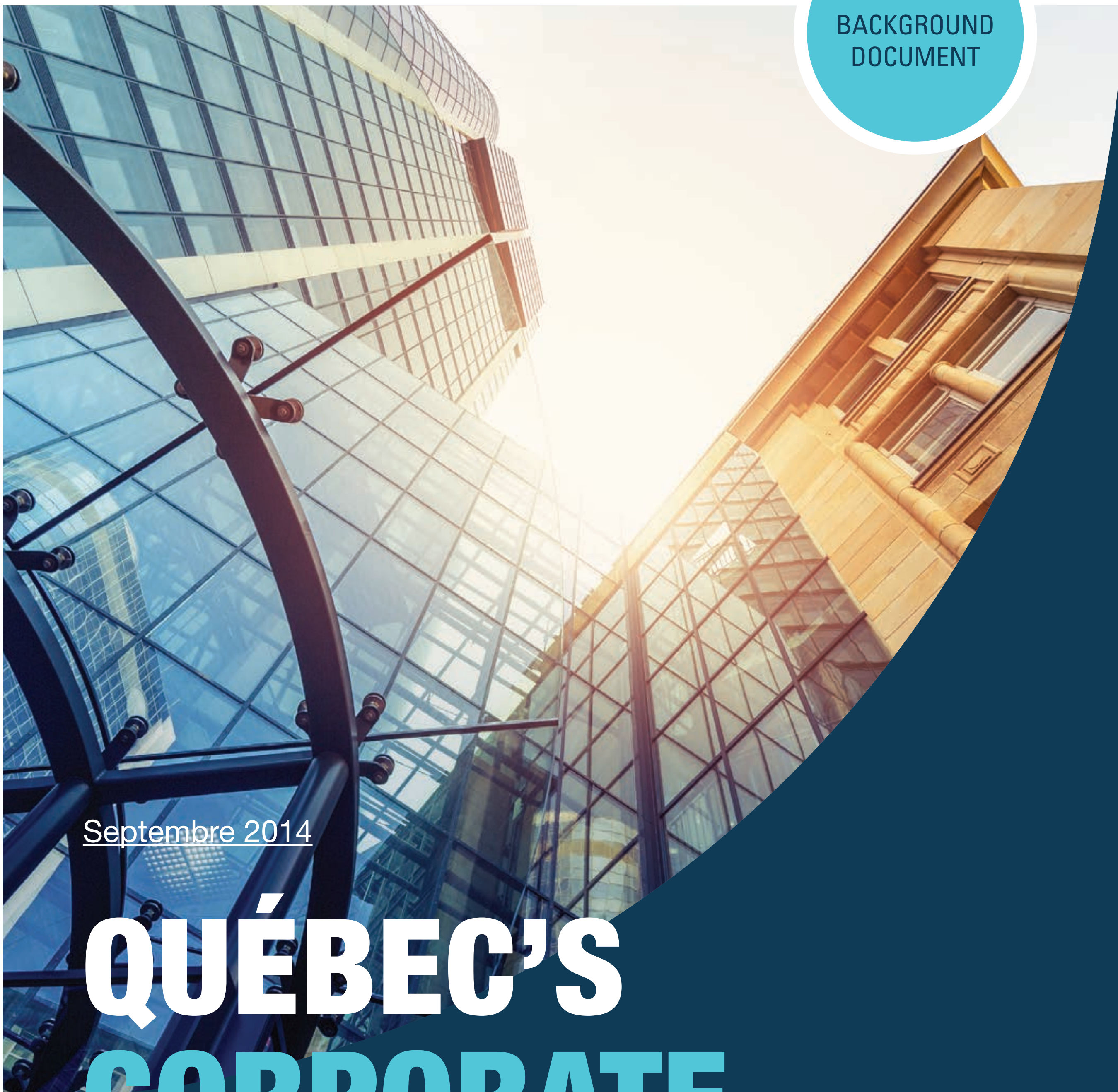
BACKGROUND DOCUMENT



Septembre 2014

QUÉBEC'S CORPORATE TAXATION SYSTEM

Québec

BACKGROUND DOCUMENT

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Finances Québec

QUÉBEC'S CORPORATE TAXATION SYSTEM

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In June 2014 the government established the Québec Taxation Review Committee to analyze the Québec taxation system and propose a reform of it.

Under the mandate that the government assigned to it, the committee is conducting a public consultation open to all interested Quebecers, groups and organizations.

To facilitate the preparation of the consultation, the committee has asked the Ministère des Finances du Québec to produce three documents containing information and data on the current taxation system.

— The first document devoted to an **overview of the Québec taxation system** was made public on September 18, 2014.

— The second document examines the **personal income tax system**.

— This is the third document and is devoted to the **corporate taxation system.**

The Order in Council to create the Québec Taxation Review Committee

The Premier announced the establishment of the Québec Taxation Review Committee to analyze the Québec taxation system and propose the reform of it in his inaugural speech at the opening of the 41st Legislature of the National Assembly, subsequently confirmed in the June 4, 2014 *2014-2015 Budget.*

The Order in Council of June 11, 2014 officially created the Québec Taxation Review Committee and stipulated its mandate.

The mandate is defined as follows:

- examine all tax measures from the standpoint of their relevance and efficacy in order to pinpoint measures to reduce tax expenditures overall in order to comply with the targets set in the *2014-2015 Budget*;
- examine the Québec taxation system to enhance its efficiency, fairness and competitiveness and ensure funding for public services;
- compare international taxation trends, in particular with respect to the practices of proximate neighbours such as the United States and the other Canadian provinces;
- examine the possibility of rethinking balance between different modes of taxation;
- attentively review the business taxation system to propose avenues that will better support economic growth;
- analyze the personal income tax system, in particular to further encourage work and saving and optimize user fees while ensuring fair redistribution of collective wealth through the maintenance of adequate support for the poorest members of society;
- assess the possibility of subjecting to taxation certain user fees in order to take into account the ability to pay of the users of public services, bearing in mind the impacts on the implicit marginal taxation rates.

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INTRODUCTION

The Québec taxation system makes provisions for various levies applicable to corporations.[1]

- Such levies comprise corporate income tax, employer contributions to the Health Services Fund and various other fiscal levies collected from companies in the financial sector or that offer public services.
- In 2014-2015, such fiscal levies, before tax credits, will stand at $10.1 billion.[2]

The taxation system makes provision for certain corporate tax credits that reduce such tax revenues.

- The tax credits reduce fiscal levies on corporations by $2.0 billion. Accordingly, in 2014-2015, fiscal levies on corporations, net of tax credits, will total $8.1 billion.
- Tax credits are targeted measures that the government has implemented to support activities or specific sectors such as research and development, the new economy, investment, the regions and culture.

The fiscal levies are not the only amounts that the Québec government collects from corporations, which also pay social security contributions, taxes, royalties and fees.

In the context of reflection leading to tax reform, one of the questions raised is the impact of tax measures on the competitive position of businesses. In a globalized economy, the taxation system applicable to corporations is a factor of competitiveness. It is, therefore, important to assess Québec's current taxation system examined from that perspective.

❑ The plan of the document

The document is divided into four parts.

- Part 1 presents the key components of the **tax regime applicable to corporations**.
- Part 2 focuses on **tax expenditures pertaining to corporations**.
- Part 3 examines the **taxes, royalties and fees levied on corporations**.
- Part 4 provides information that allows for an evaluation of the **current competitiveness of Québec's corporate taxation system**.

Statistical data on tax assistance offered to businesses is provided in an appendix.

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1 In this document, the term "corporation" refers to a business corporation. It has the same meaning as the term "enterprise," which is also used in this document.

2 Appendix 2 indicates the Québec government's own-source revenue by category of fiscal levy.

PART 1: THE TAX REGIME APPLICABLE TO CORPORATIONS

The tax regime applicable to corporations is presented in two stages.

— This document first presents a statistical profile of fiscal levies on corporations.

— It then describes the components of the tax regime applicable to corporations.

Definition of a corporation and an enterprise

Basic concepts

The *Civil Code of Québec* states that "[t]he carrying on by one or more persons of an organized economic activity, whether or not it is commercial in nature, consisting of producing, administering or alienating property, or providing a service, constitutes the carrying on of an enterprise."

In Québec, the legal forms of an enterprise may be grouped together as follows:

1. A sole proprietorship is operated by a single owner. This form of enterprise may not be used when two or more persons wish to jointly operate an enterprise. They must then form a business corporation or a general partnership.
2. A business corporation is a legal entity that is separate from its shareholder(s) established to operate an enterprise. It is incorporated pursuant to the Québec or federal *Business Corporations Act*.
3. A partnership is a limited partnership, a general partnership or an undeclared partnership. Overall, the arrangement is an agreement concluded between partners to operate an enterprise and profit thereby.

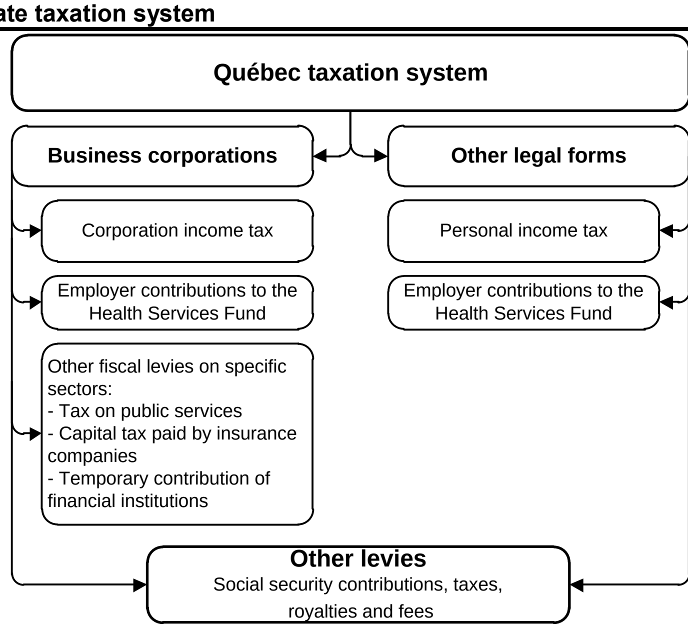
The tax regime applicable to different legal forms

The tax regime applicable to business corporations comprises corporate income tax, employer contributions to the Health Services Fund and various fiscal levies specific to certain sectors such as the tax on public services, the tax on the capital of insurance companies, and the temporary contribution of financial institutions.

The taxation system may levy personal income tax and the employer contribution to the Health Services Fund in respect of other legal forms.

Regardless of the legal form, various other fiscal levies may be added to those mentioned earlier. Such levies may take the form of social security contributions, such as the Québec Parental Insurance Plan or the Commission de la santé et de la sécurité au travail, consumption or municipal taxes, royalties on natural resource exploitation or government user fees.

Québec's corporate taxation system



1. A STATISTICAL PROFILE OF FISCAL LEVIES ON CORPORATIONS

❑ $10.1 billion in fiscal levies in 2014-2015

In 2014-2015, fiscal levies on corporations, before tax credits, will stand at $10.1 billion,[3] which can be broken down as follows:

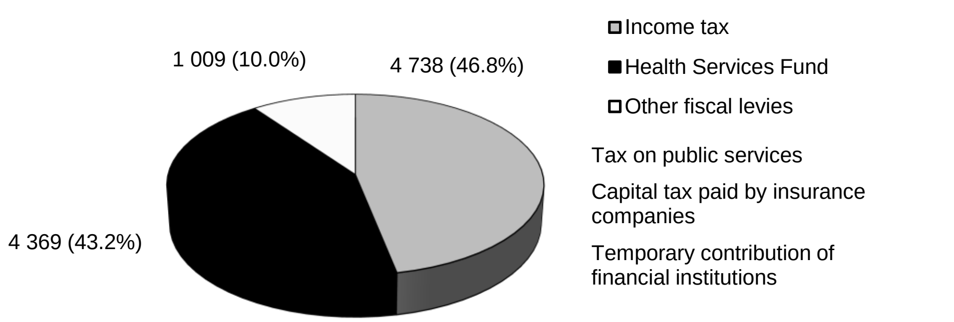
— 46.8% of the revenue comes from corporate income tax ($4.7 billion);

— 43.2% comes from employer contributions to the Health Services Fund ($4.4 billion);[4]

— 10.0% comes from other fiscal levies ($1.0 billion), i.e. the tax on public services, the capital tax paid by insurance companies, and the temporary contribution of financial institutions.

CHART 1

Breakdown of fiscal levies on corporations – 2014-2015
(millions of dollars)



(1) Contributions paid by business corporations and general partnerships only.

The taxation system makes provision for certain corporate tax credits that reduce such tax revenues. The tax credits will reduce fiscal levies on corporations by $2.0 billion.

Accordingly, in 2014-2015, fiscal levies on corporations, net of tax credits, will total $8.1 billion.

[3] Appendix 2 indicates the Québec government's own-source revenue by category of fiscal levy.

[4] Contributions paid by business corporations and general partnerships only. Does not include the amounts paid by public sector bodies and enterprises.

❑ A growing share of the government's own-source revenue

The share of fiscal levies collected from enterprises in the government's own-source revenue has more than doubled in 40 years.

The share of fiscal levies from corporations in own-source revenue will stand at nearly 22% in 2014-2015, as against 10.8% in 1970-1971.

During the 1970s, the fight against the deficit was funded, in particular, by increases in the capital tax and employer contributions to the Health Services Fund. In 1981-1982, in order to stabilize revenue and reduce the impact on public finances of economic conditions, a reform hastened the shift to fixed charges such as the contribution to the Health Services Fund and the capital tax.

In the early 1990s, the implementation of the QST system, including the reimbursement to enterprises of the taxes paid on inputs, was funded by and large through an increase in fixed charges.

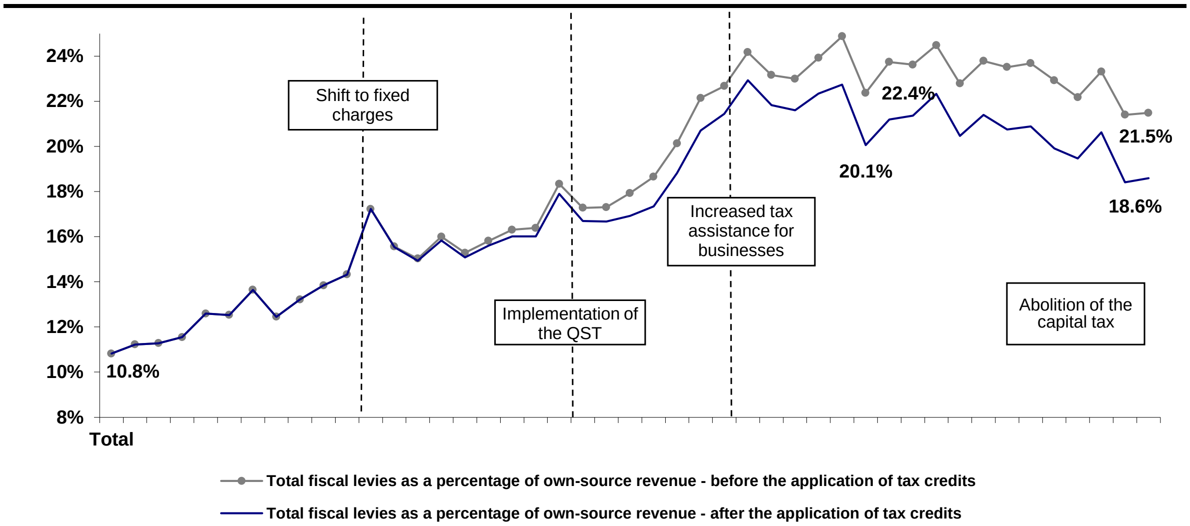
In the late 1990s, numerous tax credits were gradually introduced to promote the development of certain regions or industry segments.

In order to foster investment, the capital tax was gradually abolished in the 2000s. The abolition of this fixed charge was funded through an increase in the general corporate income tax rate.

It should be noted for the same period that the gap widened between fiscal levies before and after tax credits, which illustrates the growing importance of tax credits in support for enterprises.

CHART 2

Change in fiscal levies on corporations[1] – 1970-1971 to 2014-2015
(as a proportion of the government's own-source revenue)



(1) Total fiscal levies on corporations and payroll tax, including the portion of the payroll tax paid by the public sector.

❑ Fiscal levies and social security contributions

Corporations must also pay social security contributions, which are collected to fund various plans.

The combined social security contributions and fiscal levies collected in 2011 from corporations are on the order of $15.5 billion, before tax credits.

— During the period from 2007 to 2011, the proportion of contributions to the Health Services Fund and social security contributions in overall fiscal levies remained fairly stable.

— The share of income tax rose from 23% to 30% and that of other levies, from 6% to 8%.

— Conversely, the share of capital tax in Québec's fiscal levies fell from 10% to less than 1% because of the gradual abolition of the tax.

TABLE 1

Summary of Québec's fiscal levies and the social security contributions of corporations in Québec[1] – 2007 to 2011
(in dollars, unless otherwise indicated)

	2007		2008		2009		2010		2011	
	Millions of $	**%**	**Millions of $**	**%**	**Millions of $**	**%**	**Millions of $**	**%**	**Millions of $**	**%**
Income tax	3 628	23%	3 882	26%	3 816	26%	4 356	29%	4 723	30%
Contributions to the HSF	3 832	25%	3 575	24%	3 679	25%	3 611	24%	3 814	25%
Social security contributions	5 538	36%	5 336	36%	5 594	38%	5 484	37%	5 742	37%
Other fiscal levies[2]	953	6%	962	6%	981	7%	1 085	7%	1 170	8%
Capital tax[3]	1 574	10%	1 162	8%	779	5%	444	3%	71	0%
TOTAL	**15 525**	**100%**	**14 917**	**100%**	**14 849**	**100%**	**14 981**	**100%**	**15 521**	**100%**

(1) Before tax credits.
(2) The tax on public services, the capital tax paid by insurance companies and the compensatory tax on financial institutions.
(3) Abolished on January 1, 2011.
Note: Since figures are rounded, they may not add up to the total shown.

❑ The size of corporations doing business in Québec

In 2011, 447 701 corporations were doing business in Québec, of which:

— 99% were SMEs, i.e. 433 674 small enterprises (97%) and 9 501 medium-sized enterprises (2%);

— 4 526 were big enterprises (1%);

— Less than 50% paid corporate income tax (44%).[5]

Moreover:

— more than 130 000 taxable corporations benefited from the small business deduction, which entitled them to a reduced tax rate on the first $500 000 of taxable income;

— more than 180 000 small enterprises (43%) paid contributions to the Health Services Fund.

TABLE 2

Key statistics respecting corporations by size of corporation – 2011

	Small enterprise	Medium-sized enterprise	Big enterprise	Total
Number of corporations	433 674	9 501	4 526	**447 701**
– *Share*	*97%*	*2%*	*1%*	*100%*
Taxable corporations	187 440	6 411	2 753	**196 604**
– *Share*	*43%*	*67%*	*61%*	*44%*
Corporations eligible for the small business deduction	133 455	3 044	183	**136 682**
– *Share*	*31%*	*32%*	*4%*	*31%*
Corporations that pay contributions to the Health Services Fund	187 736	7 801	3 159	**198 695**
– *Share*	*43%*	*82%*	*70%*	*44%*

Note: Since figures are rounded, they may not add up to the total shown.

5 This proportion must be interpreted cautiously since several reasons can explain why a corporation does not pay tax. For example, it takes into account corporations that sustained a loss during the taxation year or that deducted in the computation of their income losses carried over from previous years.

Definition of the size of corporations

For the purposes of the presentation of statistical profiles in the document, small, medium-sized and big enterprises have been defined according to the value of their assets and their sales.

Definition of the size of corporations

	Asset bracket		Turnover bracket
Small	Less than $15 million	AND	Less than $10 million
Medium-sized	Less than $15 million	AND	$10 million to $50 million
(two selection criteria)		OR	
	$15 million to $50 million	AND	Less than $50 million
Big	$50 million or more	OR	$50 million or more

❑ The tax burden of enterprises according to size

While they account for 1% of Québec corporations, in 2011 big enterprises paid nearly $6.0 billion in taxes, equivalent to more than 45% of the total. They paid:

— nearly $2.5 billion in corporate income tax;

— nearly $2.0 billion in contributions to the Health Services Fund;

— more than $1.1 billion in the capital tax paid by insurance companies, the compensatory tax on financial institutions, the tax on public services, and the capital tax.

In 2011, SMEs benefited from preferential measures such as the small business deduction and reduced rates on contributions to the Health Services Fund and paid more than $4.25 billion in taxes:

— more than $2.7 billion in the case of small enterprises;

— nearly $1.5 billion for medium-sized enterprises.

TABLE 3

Tax burden according to the size of enterprises – 2011
(millions of dollars)

	Business corporations				
	Small enterprise	**Medium-sized enterprise**	**Big enterprise**	**Other entreprises[3]**	**Total**
Corporate income tax[1]	1 558	707	2 459	—	4 723
Contributions to the Health Services Fund	1 151	707	1 956	2 481	6 295
Other fiscal levies[1, 2]	40	64	1 137	—	1 241
TOTAL	**2 748**	**1 477**	**5 552**	**2 481**	**12 259**

(1) Before tax credits.
(2) The capital tax paid by insurance companies, the compensatory tax on financial institutions, the tax on public services and the capital tax.
(3) Governments, public sector enterprises, sole proprietorships and general partnerships.
Note: Since figures are rounded, they may not add up to the total shown.

❑ The tax burden according to turnover in Québec

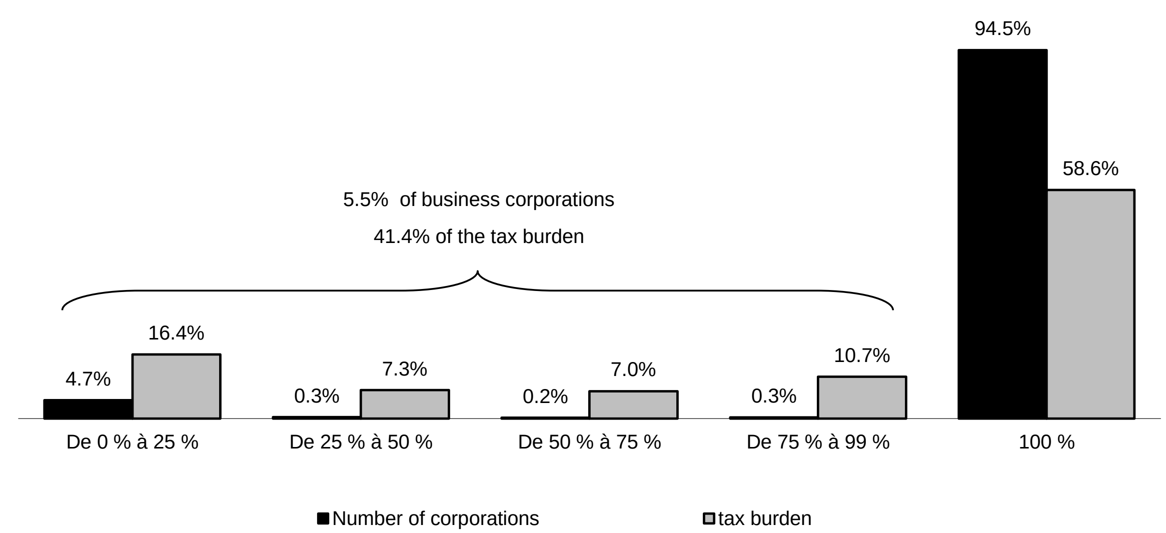
In 2011, nearly 60% of taxes came from corporations all of whose business was conducted in Québec either because they did not maintain establishments elsewhere or because they were the wholly Québec subsidiaries of Canadian or foreign corporations. They represented 94.5% of corporations that reported income in Québec.

Furthermore, nearly 25 000 corporations (5.5% of the total) maintained one or more establishments outside Québec. They contributed more than 40% of the tax expenses of business corporations, i.e. in excess of $4.0 billion.

More than 21 000 of the corporations conducted less than 25% of their business in Québec (4.7%). They accounted for in excess of 15% of the total tax burden of corporations.

CHART 3

Tax burden[1] by turnover bracket in Québec – 2011
(percentage breakdown)



(1) The tax burden represents the sum of corporate income tax, the payroll tax, the compensatory tax on financial institutions, the capital tax paid by insurance companies, and the capital tax.

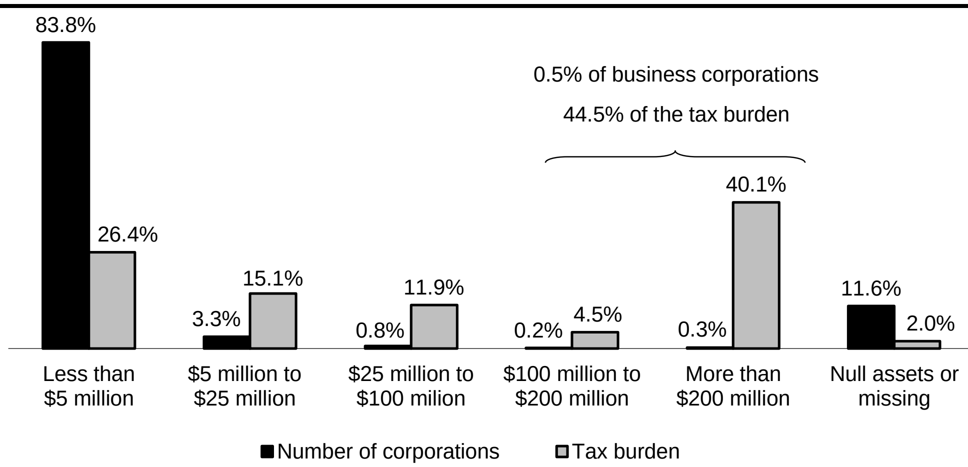
❑ The tax burden according to global asset bracket

In 2011, nearly 85% of corporations that filed a tax return in Québec had less than $5 million in assets. Such corporations accounted for more than 26% of the tax burden.

While they represented less than 1% of corporations, enterprises with assets in excess of $100 million accounted for over 44% of the total tax burden.

CHART 4

Tax burden[1] by global asset bracket – 2011
(percentage breakdown)



(1) The tax burden represents the sum of corporate income tax, the payroll tax, the compensatory tax on financial institutions, the capital tax paid by insurance companies, and the capital tax.
Note: Since figures are rounded, they may not add up to the total shown.

2. THE COMPONENTS OF THE TAX REGIME APPLICABLE TO CORPORATIONS

Ten or so fiscal levies apply to corporations, divided into three groups:

— corporate income tax;

— employer contributions to the Health Services Fund;

— other fiscal levies.

Corporate income tax and employer contributions to the Health Services Fund account for 90% of the revenue collected under the corporate income tax system.

For a fuller picture of the corporate tax burden, to these fiscal levies must be added the social security contributions of employers, which are not, strictly speaking, part of the corporate income tax system.

Employer contributions to the Health Services Fund and social security contributions are fiscal levies on payrolls applicable to Québec corporations.

2.1 Corporate income tax

The general corporate income tax rate is set at 11.9% in Québec.

❑ Specific rates

Canadian-controlled private corporations whose paid-up capital for the preceding year is less than $10 million may take advantage of a 3.9-percentage-point reduction in the general rate that entitles them to an 8% tax rate on the first $500 000 of taxable income. Between $10 million and $15 million, the reduction in the general rate declines linearly from 3.9 percentage points to 0. The application procedures respecting this deduction are harmonized with those of the federal government and most of the other Canadian provinces.

In the *2014-2015 Budget*, the government announced a reduction from 8% to 6% of the tax rate for manufacturing SMEs starting June 5, 2014. The rate will fall to 4% on April 1, 2015.

TABLE 4

Corporate income tax rates – 2014

	Québec	Federal	Total
Active income			
– General rate	11.9%	15.0%	26.9%
– Reduced tax rate for SMEs	8.0%	11.0%	19.0%
– Reduced tax rate for manufacturing SMEs[1]	6.0%	11.0%	17.0%
Passive income[2]	11.9%	34.67%	46.57%

(1) The reduced tax rate for manufacturing SMEs has been 6.0% since June 5, 2014 and will be reduced to 4.0% commencing on April 1, 2015.

(2) There are two forms of income, i.e. active income (generated by the enterprise's activities such as the sale of goods) and passive income (income on investments held by the enterprises). Since the day after the *2007-2008 Budget* was tabled, the same rate has applied to both forms of income under the Québec taxation system.

❑ The tax burden according to the size of corporations

In 2011, corporate income tax levied at the general rate generated 69% of revenue.

The small business deduction enabled a number of SMEs to reduce their tax burden. Indeed, a relatively substantial portion of their tax was calculated at the reduced rate, i.e. 55% in the case of small enterprises and 10% in the case of medium-sized enterprises.

TABLE 5

Corporate income tax burden according to the size of corporations – 2011
(millions of dollars, unless otherwise indicated)

	Small enterprise	Medium-sized enterprise	Big enterprise[1]	Total
At the reduced rate for SMEs (8%)	861	72	3	**936**
– *Share*	*18%*	*2%*	*0%*	*20%*
At the general rate (11.9%)	317	581	2 362	**3 260**
– *Share*	*7%*	*12%*	*50%*	*69%*
At the passive rate (11.9%)	380	54	94	**527**
– *Share*	*8%*	*1%*	*2%*	*11%*
TOTAL	**1 558**	**707**	**2 459**	**4 723**
– *Share*	*33%*	*15%*	*52%*	*100%*

(1) Certain big enterprises are taxed at the reduced rate for SMEs because they are not very capital intensive (paid-up capital of less than $15 million) even if they might be deemed to be big enterprises because of their turnover. Most of these enterprises are classified in the service sector.
Note: Since figures are rounded, they may not add up to the total shown.

■ Active and passive income

A breakdown of the 2011 corporate income tax burden by type of income reveals that:

— 89% of income tax came from active income, i.e. the sum of tax at the reduced rate for SMEs and tax at the general rate;

— 11% of the tax came from passive income, i.e. income stemming from investments held by the enterprises.

Small enterprises paid the most tax in respect of passive income.

❑ The tax burden by area of activity

It is, above all, big enterprises in the manufacturing and processing sectors, the wholesale and retail trade sector, and real property services and other financial intermediaries that pay income tax at the general rate.

— In 2011, corporations in the manufacturing and processing sector, one of the sectors in which activities are more mobile because of keen competition on export markets, paid nearly one-quarter of taxes at the general rate of 11.9% on active income.

— Big enterprises in the wholesale and retail trade sector (food, hardware, and so on) also account for a significant portion of the taxes levied at the general rate.

— Corporations in the financial and real estate sector pay 31% of tax at the general rate. This sector includes financial institutions, corporations in the insurance and other financial services sectors, and real property services and other financial intermediaries.

TABLE 6

Income tax at the general rate by economic activity sector – 2011
(millions of dollars)

	Small enterprise	Medium-sized enterprise	Big enterprise	Total	Share
Primary sector	9	15	88	111	3%
Secondary sector					
Manufacturing and processing	32	116	564	712	22%
Construction	43	78	53	173	5%
Subtotal	**74**	**194**	**617**	**885**	**27%**
Service sector					
Transportation, communications and public services	18	31	132	181	6%
Wholesale and retail trade	50	130	521	701	22%
Financial institutions	5	56	382	443	14%
Insurance and other financial services	0	3	203	206	6%
Real property services and other financial intermediaries	64	63	218	345	11%
Business services	52	57	155	264	8%
Individual services	31	24	46	101	3%
Subtotal	**221**	**366**	**1 656**	**2 242**	**69%**
Indeterminate	14	5	2	21	1%
TOTAL	**317**	**581**	**2 362**	**3 260**	**100%**

Note: Since figures are rounded, they may not add up to the total shown.

The corporations that benefited from the reduced rate for SMEs are found mainly in the wholesale and retail trade, business services and construction sectors. In 2011, they accounted for 53% of the total income tax paid at the reduced rate.

Specifically, corporations in the:

— wholesale and retail trade paid $187 million (20%);

— business services sector paid $169 million (18%);

— construction sector paid $136 million (15%);

TABLE 7

Income tax at the reduced rate for SMEs by economic activity sector – 2011
(millions of dollars)

	Small enterprise	Medium-sized enterprise	Big enterprise	Total	Share
Primary sector	47	2	0	48	5%
Secondary sector					
Manufacturing and processing	53	9	0	63	7%
Construction	123	13	0	136	15%
Subtotal	**176**	**22**	**1**	**199**	**21%**
Service sector					
Transportation, communications and public services	38	3	0	40	4%
Wholesale and retail trade	150	35	2	187	20%
Financial institutions	4	0	0	4	0%
Insurance and other financial services	0	0	0	0	0%
Real property services and other financial intermediaries	86	3	0	89	10%
Business services	164	5	0	169	18%
Individual services	106	3	0	109	12%
Subtotal	**548**	**49**	**3**	**599**	**64%**
Indeterminate	90	0	0	91	10%
TOTAL	**861**	**72**	**3**	**936**	**100%**

Note: Since figures are rounded, they may not add up to the total shown.

Taxation of dividends: an example of integration between the personal income tax system and the corporate taxation system

An integration mechanism that ensures neutrality

Under the Québec taxation system, income earned by a corporation is initially taxed when the corporation earns it and again when it is distributed to the shareholders in the form of dividends.

To avoid double taxation, the Québec taxation system makes provision for an integration mechanism between the personal income tax system and the corporate taxation system that recognizes in the calculation of personal income tax the taxes on profits that corporations have already paid. Accordingly, an integration mechanism applies to the average of the increase in the amount of dividends combined with the application of a dividend tax credit.

The mechanism ensures that an individual's income earned through a corporation is not taxed more heavily than income that the individual earns directly.

A simple tax rate between different sources of income

Through this integration mechanism, dividend income is taxed at a rate similar to the one applicable to another type of income, thereby ensuring the taxation system's neutrality between different forms of revenue.

It should be noted that two types of dividends are eligible for the dividend tax credit, i.e. common share dividends and assessable dividends. An investor's income generated by the two types of dividend will be taxed at a maximum rate of 25.87% in Québec bearing in mind the two systems, i.e. a rate comparable to the maximum rate for earned income (25.75%).

Maximum marginal tax rate for earned income and dividends in Québec – 2014
(as a percentage)

	Earned income	Common share dividends	Assessable dividends
Corporate income tax	—	8.00	11.90
Personal income tax	25.75	17.87	13.97
Subtotal – Québec	**25.75**	**25.87**	**25.87**
Total – Including the federal taxation system	*49.97*	*51.24*	*52.65*

2.2 Employer contributions to the Health Services Fund

As a general rule, each employer must pay a payroll tax, i.e. the contribution to the Health Services Fund (HSF), which applies to the total remuneration paid to employees. The HSF was established to help fund Québec's public healthcare system.

The contribution rate to the HSF ranges from 2.7% to 4.26% depending on the enterprise's consolidated global payroll.

For a consolidated global payroll of:

— less than $1 million, the rate is 2.7%;

— more than $5 million, the rate is 4.26%;

— between $1 million and $5 million, the rate increases linearly from 2.7% to 4.26%.

A breakdown of the tax burden stemming from the contribution to the HSF according to the three contribution levels (2.7%, intermediate and 4.26%) reveals that:

— enterprises benefiting from the 2.7% rate and with payrolls under $1 million pay a very small proportion of the contribution to the HSF (6% of the total in 2011);

— 69% of the contribution of corporations, i.e. more than $2.6 billion, was paid based on the highest rate.

What is more, public sector corporations, sole proprietorships and general partnerships are also subject to the contribution to the HSF.

— Public sector employers pay the maximum rate of 4.26% regardless of their payroll.

TABLE 8

Tax burden stemming from the contribution to the HSF according to the size of enterprises – 2011
(millions of dollars)

	Business corporations					
Contribution to the HSF	**Small enterprise**	**Medium-sized enterprise**	**Big enterprise**	**Subtotal**	**Other entreprises[1]**	**Total**
At the 2.7% rate	312	5	1	**318**	57	**375**
– *Share*	*27%*	*1%*	*0%*	*8%*	*2%*	*6%*
At an intermediate rate	608	217	21	**846**	16	**862**
– *Share*	*53%*	*31%*	*1%*	*22%*	*1%*	*14%*
At the 4.26 % rate	231	484	1 934	**2 650**	2 409	**5 058**
– *Share*	*20%*	*69%*	*99%*	*69%*	*97%*	*80%*
TOTAL	**1 151**	**707**	**1 956**	**3 814**	**2 481**	**6 295**

(1) Governments, public sector enterprises, sole proprietorships and general partnerships.
Note: Since figures are rounded, they may not add up to the total shown.

2.3 Other fiscal levies aimed at specific sectors

In addition to corporate income tax and the contribution to the HSF, the Québec taxation system makes provision for other fiscal levies aimed at specific sectors:

— the capital tax paid by insurance companies;

— the capital tax paid by life insurance companies;

— the temporary contribution of financial institutions;

— the tax on public services.

TABLE 9

Other fiscal levies aimed at specific sectors – 2014

	Base	Interest
Capital tax paid by insurance companies	Personal insurance premiums	2%
	Damage insurance premiums	3%
	Marine insurance premiums	3%
Capital tax paid by life insurance companies	Capital	1.25%
Temporary contribution of financial institutions	Salaries paid or insurance premiums	0.3% to 2.8%
Tax on public services	Net value of assets	0.2% to 1.5%

In 2014-2015, other fiscal levies aimed at corporations will stand at $1 billion, which can be broken down as follows:

— $444 million in respect of the capital tax paid by insurance companies;

— $365 million in respect of the tax on public services;

— $200 million in respect of the temporary contribution of financial institutions.

TABLE 10

Revenue from other fiscal levies aimed at corporations – 2014-2015
(millions of dollars)

Capital tax paid by insurance companies[1]	444
Tax on public services	365
Temporary contribution of financial institutions	200
TOTAL	**1 009**

(1) Including the capital tax paid by life insurance companies.

Details of the other fiscal levies aimed at specific sectors

The capital tax paid by insurance companies

This tax applies to the value of insurance premiums:

- 2% in respect of personal insurance premiums;
- 3% in respect of damage insurance premiums.

An ocean marine insurance company must pay the minimal amount between:

- 5% of the company's operating income;
- 3% of the company's insurance premiums.

The capital tax paid by life insurance companies

This tax is a minimum tax on life insurance companies.

The amount of the tax corresponds to the surplus of 1.25% of the taxable capital from which is subtracted the tax payable reduced by tax credits.

The temporary contribution of financial institutions

This temporary tax was implemented within the framework of the *2013-2014 Budget* to make financial institutions participate in efforts to return to a balanced budget and will be in force until March 31, 2019.

The rates applicable on salaries paid are:

- 2.8% in the case of a bank, a finance company, a trust corporation or a corporation trading in securities;
- 2.2% in the case of a savings and credit union;
- 0.9% for other financial institutions.

The rate applicable to insurance premiums and sums established in respect of insurance funds is 0.3%.

The tax on public services

The tax on public services is a fiscal levy on the benefit conferred on the producers of public services to install their distribution network in Québec's territory. Because of the tax, the municipalities are unable to include the assets of such corporations on their real estate assessment rolls. The tax is calculated according to the net value of the assets that are part of a telecommunications network, a gas distribution network or an electrical energy generation, transmission or distribution network that is not included on the real estate assessment roll by a municipality.

The tax rates range from 0.2% to 1.5% according to the type of network and the size of the net value of the network's assets.

2.4 **Social security contributions of employers**

Employers must pay various social security contributions on the payroll of their employees intended for the following plans:

— the Québec Pension Plan;

— employment insurance;

— the Commission de la santé et de la sécurité du travail;

— the Québec Parental Insurance Plan;

— the Commission des normes du travail;

— the Workforce Skills Development and Recognition Fund.

While these contributions are not strictly speaking fiscal levies, they are, nonetheless, levies that the corporations must pay.

❑ The Québec Pension Plan

All employers must pay a contribution to the Québec Pension Plan (QPP) on the remuneration of their employees 18 years of age or over.

The QPP offers basic protection that guarantees employees a pension if they retire or are disabled and to their next of kin in the event of death. Employers and employees pay equal contributions to the plan.

For 2014, the contribution rate to the QPP for the employer is set at 5.175% and the maximum of the admissible earnings at $52 500 per adult employee, of which the first $3 500 are exempt. Accordingly, the maximum contribution for the year is $2 536 per employee.

❑ Employment insurance

Generally speaking, employers must withhold employment insurance contributions on the remuneration paid to their employees. Employment insurance is a federal plan that mainly offers temporary financial assistance to the jobless. Different rates apply to employees who work in Québec because of the establishment of the Québec Parental Insurance Plan.

Employer contributions to the plan are 1.4 times those paid by employees.

For 2014, the employment insurance contribution rate for corporations is set at 2.142% up to a maximum annual salary of $48 600. The maximum contributions payable for the year are thus $1 041 per employee.

❑ The Commission de la santé et de la sécurité du travail

All employers that maintain an establishment in Québec must make payments to the Commission de la santé et de la sécurité du travail (CSST) according to the salaries paid to their employees.

The CSST acts as a public insurer of workers and employers in addition to engaging in prevention to eliminate risks that cause occupational accidents and diseases. Employers pay the full amount of contributions to the CSST.

For 2014, the CSST contribution rate, which is linked to the risks specific to the enterprise's operations, may range from 0.26% to 18.65% (the Québec average is 2.02%) and applies up to a maximum annual insurable salary of $69 000.

— Accordingly, for an employer whose contribution rate is 2.02%, the maximum contribution is $1 394.

❑ The Québec Parental Insurance Plan

Generally speaking, employers must pay contributions to the Québec Parental Insurance Plan (RQAP) on the remuneration paid to their employees. The RQAP enables employees to receive financial benefits in the event of maternity leave, paternity leave or adoption leave or parental leave during which the parents cease to be remunerated.

Employers pay 58.3% of contributions and employees, 41.7%.

For 2014, the employer contribution rate to the RQAP is 0.782% and the maximum insurable income is $69 000. The maximum contributions payable for the year are thus $540 per employee.

❑ The Commission des normes du travail

Each employer must usually pay a contribution to fund the Commission des normes du travail (CNT), calculated according to the salaries paid to employees. The CNT ensures compliance with the standards stipulated in the *Act respecting labour standards.*

Employers fully pay contributions to the CNT.

For 2014, the contribution rate of corporations to the CNT is 0.08% of remuneration paid to employees for the year, up to a maximum annual salary of $69 000 per employee. The maximum contribution payable for the year is thus $55 per employee.

❑ The Workforce Skills Development and Recognition Fund

All employers whose total payroll exceeds $1 million and allocate a sum representing less than 1% of their payroll to eligible training expenditures must pay the Workforce Skills Development and Recognition Fund (WSDRF) a contribution equivalent to the difference between 1% of the total payroll and the eligible training expenditures incurred.

The Workforce Skills Development and Recognition Fund promotes and supports skills development among Québec workers.

Employers fully pay contributions to the fund.

The contribution rate to the Workforce Skills Development and Recognition Fund for enterprises with a total payroll of at least $1 million ranges from 0% to 1% of the total compensation paid to employees for the year, depending on the level of eligible training expenditures incurred.

2.5 Fiscal levies on total payroll

Employer contributions to the Health Services Fund and social security contributions are fiscal levies on payrolls applicable to Québec corporations.

For 2014, Québec corporations are subject, on average, to fiscal levies estimated at nearly 14% of their total payroll.

TABLE 11

Statutory rate of fiscal levies on the total payroll of Québec corporations and eligibility ceilings by plan – 2014
(as a percentage, unless otherwise indicated)

	Minimum	Maximum	Average	Ceiling[1]
Payroll tax				
– Health Services Fund[2]	2.7%	4.26%	**3.69%**	None
Social security contributions				
– Québec Pension Plan[3]	5.175%	5.175%	**5.175%**	$52 500
– Employment insurance	2.142%	2.142%	**2.142%**	$48 600
– Commission de la santé et de la sécurité du travail	0.26%	18.65%	**2.02%**	$69 000
– Québec Parental Insurance Plan	0.782%	0.782%	**0.782%**	$69 000
– Commission des normes du travail	0.08%	0.08%	**0.08%**	$69 000
– Workforce Skills Development and Recognition Fund[4]	0%	1%	**0.04%**	None
TOTAL[5]	**11.1%**	**32.1%**	**13.9%**	

(1) Per employee.
(2) The average contribution rate to the Health Services Fund is estimated by the actual average rate of business corporations taxable for 2011.
(3) The first $3 500 are exempt for all employees, as are the salaries of employees under 18 years of age.
(4) Corporations whose total payroll is $1 million or less are exempt as are corporations with total payrolls of more than $1 million that allocate at least 1% of their total payroll to eligible training expenditures. The average contribution rate to the Workforce Skills Development and Recognition Fund is estimated by means of the actual average contribution rate of business corporations taxable for 2011.
(5) The total does not take into account the eligibility ceilings and exemptions.

The rate of the fiscal levies varies, however, according to the average salary brackets paid by the corporations. Indeed, the average rate observed decreases when salary increases because of the ceiling applied to the salary eligible for certain fiscal levies.

TABLE 12

Effective rates of fiscal levies on salaries paid by Québec corporations – 2014

Employee's salary[1]	Average[2]
$20 000	13.0%
$40 000	13.5%
$60 000	13.2%
$80 000	11.8%

(1) Employee 18 years of age or over.
(2) The average effective employer contribution rates for 2011 to the Health Services Fund and the Workforce Skills Development and Recognition Fund are used.

In 2011, fiscal levies on the total payrolls of Québec business corporations totalled $10.8 billion.

— More than two-thirds of the total is attributable to the HSF (35%) and the QPP (33%).

— The total value of fiscal levies ranged between $10 billion and $11 billion annually between 2007 and 2011.

TABLE 13

Total value of fiscal levies on the total payrolls of Québec business corporations by plan – 2007 to 2011
(millions of dollars)

	2007	2008	2009	2010	2011
Payroll tax					
Health Services Fund	3 832	3 575	3 679	3 611	3 814
Social security contributions					
Québec Pension Plan	3 402	3 246	3 364	3 334	3 512
Employment insurance[1]	1 313	1 181	1 202	1 159	1 239
Commission de la santé et de la sécurité du travail[1]	1 557	1 497	1 582	1 481	1 495
Québec Parental Insurance Plan	501	513	569	584	648
Commission des normes du travail	52	55	54	56	58
Workforce Skills Development and Recognition Fund	26	26	25	29	30
TOTAL	**10 683**	**10 093**	**10 476**	**10 255**	**10 795**

(1) The proportion of contributions to other plans attributable to business corporations (roughly 65%) is applied to the total contributions reported by the body responsible for the plan.
Sources: Commission de la santé et de la sécurité du travail, Employment and Social Development Canada and Ministère des Finances du Québec.
Note: Since figures are rounded, they may not add up to the total shown.

❑ The weight of fiscal levies on total payroll according to the size of enterprises

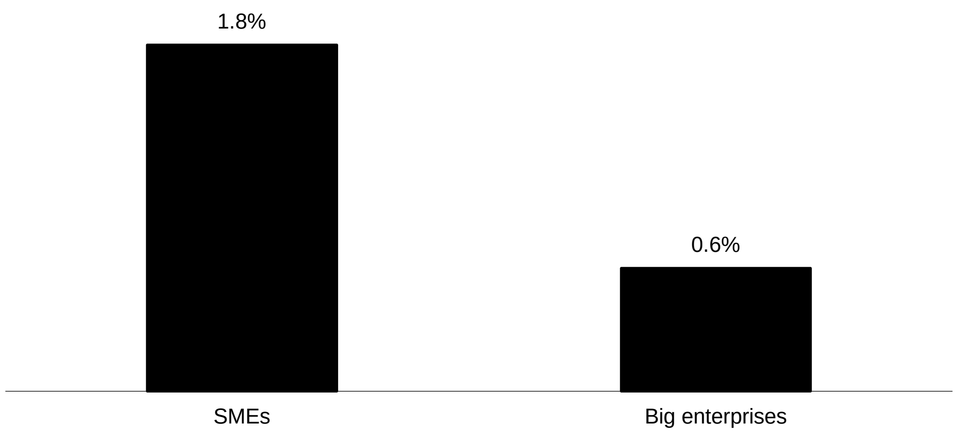
The weight of fiscal levies on total payroll as a proportion of turnover in Québec is higher for SMEs than for big enterprises.

— Indeed, the average for the years 2008 to 2011 reveals that the ratio is roughly 1.8% for SMEs as against 0.6% for big enterprises.

The burden of levies on total payroll as a percentage of turnover in Québec is thus three times heavier for SMEs.

CHART 5

Fiscal levies on total payroll[1] as a proportion of the turnover of enterprises in Québec – Average for 2008-2011
(as a percentage)



(1) Fiscal levies on total payroll include the contribution to the HSF and contributions to the QPIP, the QPP, the CNT and the WSDRF. Contributions to the CSST and employment insurance have not been taken into account since they are only available depending on the size of the enterprise.

PART 2: TAX EXPENDITURES PERTAINING TO CORPORATIONS

The corporate taxation system makes provision for a series of measures grouped under the term tax expenditures.[6] These measures are intended to reduce fiscal levies on corporations in order to achieve certain objectives.

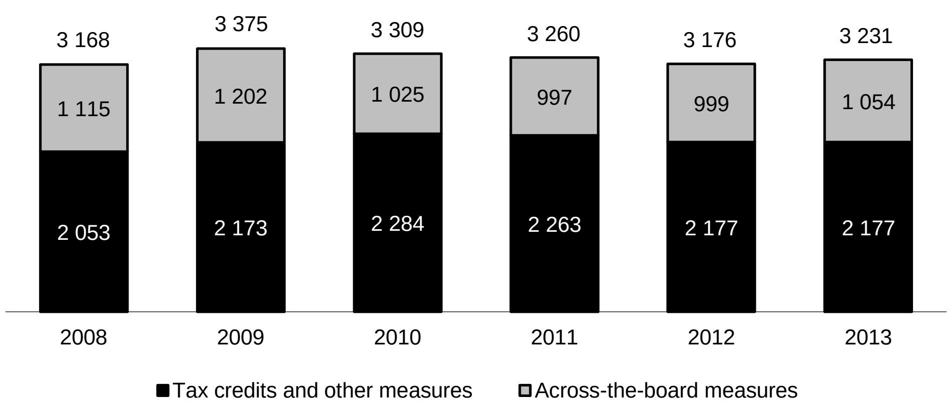
In 2013, tax expenditures relating to the corporate taxation system cost a total of $3.2 billion, i.e. nearly $2.2 billion in tax credits and other measures and nearly $1.1 billion in across-the-board measures.

— From 2008 to 2013, the cost of tax expenditures remained relatively stable.

— In 2013, the corporate taxation system included nearly 90 tax expenditures, roughly the same number as in 2001.

CHART 6

Change in the cost of corporate tax expenditures – 2008 to 2013
(millions of dollars)



Source: Ministère des Finances du Québec, *Dépenses fiscales – Édition 2013*, March 2014.

In addition, certain expenditures related to the personal income tax system, such as the tax credit for contributions to a labour fund, are intended to facilitate business capitalization. Like tax credits and other measures, these expenditures are considered tax assistance measures for businesses.

This section examines:

— across-the board measures;

— an overview of tax assistance for businesses;

— tax credits and other measures;

— business capitalization measures.

[6] A complete list of corporate tax expenditures is available in *Dépenses fiscales – Édition 2013*.

1. ACROSS THE BOARD MEASURES

Across-the-board measures relating to the corporate taxation system are a major component of tax expenditures. They include, in particular, harmonization measures with the federal taxation system and general measures that apply to corporations as a whole.

TABLE 14

Cost of the main across-the-board measures relating to the corporate taxation system – 2013
(millions of dollars)

Across-the-board measures	Cost
Reduced tax rate for small businesses	578
Partial inclusion of capital gains	361
Refundable tax credit relative to the declaration of tips[1]	61
Deductibility of gifts	35
Other	19
TOTAL	**1 054**

(1) This measure is considered to be an across-the-board measure because it is designed to maintain the integrity of the taxation system.
Source: Ministère des Finances du Québec, *Dépenses fiscales – Édition 2013,* March 2014.

The two main across-the-board measures are:

— the reduced tax rate for small businesses;

— the partial inclusion of capital gains.

❑ The reduced tax rate for small businesses

Since January 1, 2006, small businesses in Québec have been entitled to a reduction in their tax rate. Accordingly, the rate of Québec income tax applicable on the first $500 000 of income from an eligible business has been reduced from 11.9% to 8.0%.

The purpose of this reduced tax rate is to introduce some progressivity into the income tax payable by corporations and thereby foster the growth of small and medium-sized enterprises.

❑ The partial inclusion of capital gains

The proportion of net capital gains included in the calculation of the income of corporations is 50%. The partial inclusion of capital gains is intended to recognize that the appreciation in the value of an asset does not entirely reflect the taxpayer’s enrichment; it also the reflects the appreciation in the value of the asset resulting from the overall rise in prices.

2. AN OVERVIEW OF TAX ASSISTANCE FOR BUSINESSES

Over the years, the government has provided businesses with specific support for certain economic development fields and activities.

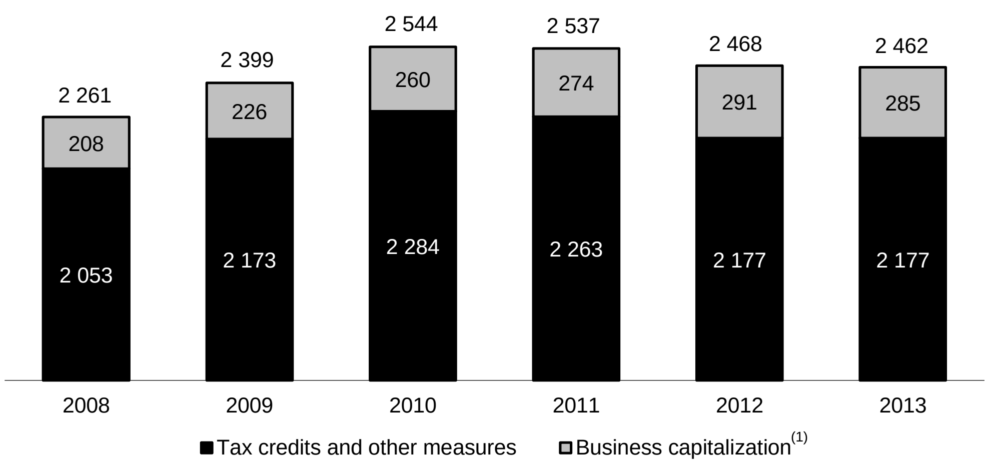
The tax expenditures targeting such support are generally identified as “tax assistance for businesses.” They encompass refundable tax credits, tax holidays, business capitalization assistance measures and certain other tax incentive measures.

❑ A fairly constant amount of assistance since 2008

From 2008 to 2013, tax assistance for businesses rose from $2.3 billion to $2.5 billion, an increase of $201 million. The average annual growth of tax assistance for businesses was 1.7% for the period from 2008 to 2013.

CHART 7

Change in the cost of tax assistance for businesses – 2008 to 2013
(millions of dollars)



(1) Certain fiscal measures that are part of the personal income tax system are designed to facilitate the capitalization of Québec businesses. They are thus considered to be tax assistance for businesses.

❑ An economic development tool

The tax assistance for businesses granted by Québec targets determinants of productivity, such as research and development, investment, innovation and manpower training. Nearly 80% of tax assistance for businesses is focused on the main determinants of productivity.

Over the years, the government has used the taxation system as an economic development tool by offering various tax incentives, such as tax credits, to corporations that operate in certain sectors that are deemed to be strategic, or that carry out certain specific activities.

What is more, the refundability of tax credits enables corporations in the early stages of development to benefit from cash in the short term and thus foster their growth.

Tax assistance for corporations: a comparison of Québec and Ontario

Tax assistance in Québec

Tax assistance for corporations stood at nearly $2.5 billion in Québec in 2013.

As a percentage of Québec GDP, the value of tax assistance for corporations represented 0.67%.

Tax assistance in Ontario

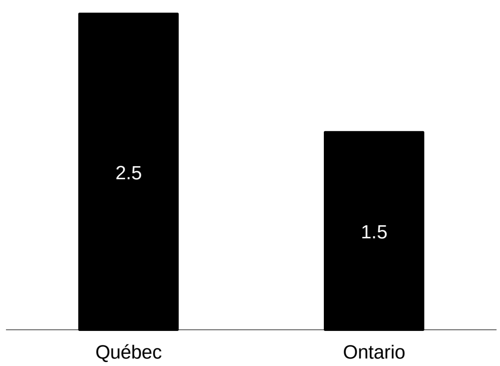
In Ontario, tax assistance for corporations represented over $1.5 billion in 2013.

As a percentage of Ontario GDP, the value of tax assistance for corporations represented 0.22%.

A comparison of Québec and Ontario

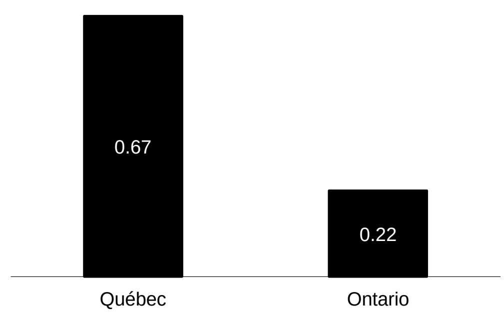
In absolute terms, the tax assistance granted to corporations in Québec was 60% higher than in Ontario. However, when the size of the economy of each province is taken into account, the tax assistance granted to corporations in Québec was three times higher than in Ontario.

Tax assistance for corporations – 2013
(billions of dollars)



Sources: Ontario Ministry of Finance and Ministère des Finances du Québec.

Weight of tax assistance for corporations in the economy – 2013
(as a percentage of 2013 GDP)



Sources: Institut de la statistique du Québec, Ontario Ministry of Finance and Ministère des Finances du Québec.

❑ Strong growth in tax credits

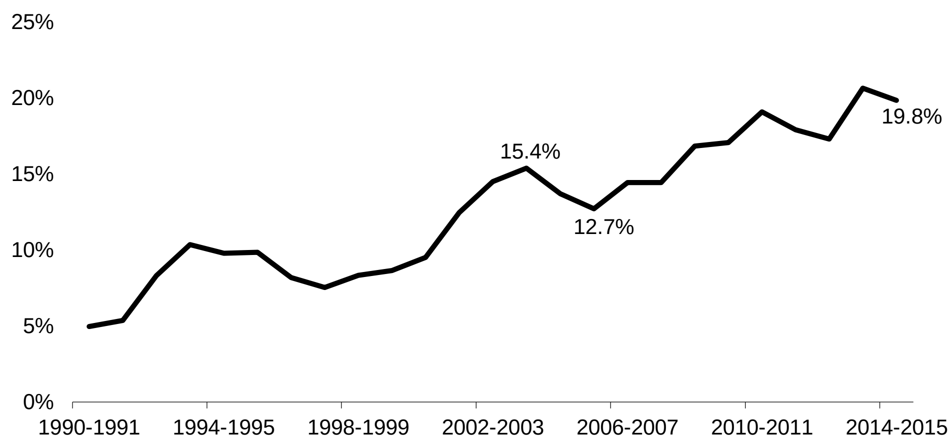
Although tax assistance for businesses has remained relatively stable in recent years, the value of tax credits, which accounts for over 75% of tax assistance, has grown more rapidly than fiscal levies on corporations.

— The cost of tax credits as a proportion of fiscal levies on corporations was 5% in 1990-1991 and will stand at 19.8% in 2014-2015, i.e. almost 4 times higher.

The tightening of certain tax credits in the 2003-2004 and 2004-2005 budgets slowed the increase for a few years. Nonetheless, the growth in the cost of tax credits as a percentage of fiscal levies on corporations has continued.

CHART 8

Change in the cost of tax credits as a proportion of fiscal levies on corporations[1] – 1990-1991 to 2014-2015
(as a percentage)



(1) Total fiscal levies on corporations and payroll tax, excluding the payroll tax paid by the public sector.

Measures in the *2014-2015 Budget* regarding tax assistance for businesses

Reduction of nearly $500 million in tax assistance in 2016-2017

In the 2014-2015 Budget Speech, the government took three initiatives to reduce tax assistance for businesses. It announced:

- the elimination or suspension of certain fiscal measures introduced since September 2012;
- a 20% reduction in the rates of tax credits;
- the imposition of caps on certain fiscal measures pertaining to business capitalization.

Given the time granted to corporations to claim tax credits and the time required to process their applications, the full impact of the tightening measures on the government's financial framework will not be felt until 2016-2017.

Overall, these three initiatives will represent a decrease of 21% in tax assistance for businesses, compared with the level forecast for 2016-2017.

Financial impact of the measures reducing tax assistance for businesses
(millions of dollars)

	2014-2015	2015-2016	2016-2017
Elimination or suspension of certain fiscal measures introduced since September 2012	41.4	55.7	115.7
20% reduction in the rates of tax credits	35.5	270.4	371.7
Caps on certain fiscal measures pertaining to business capitalization	27.1	21.6	8.2
TOTAL	**104.0**	**347.7**	**495.6**

Tax measures to support private investment

In the *2014-2015 Budget*, the government also announced:

- across-the-board fiscal measures that will help to reduce production costs for SMEs and will provide them with leeway for investing:
  - a reduction of the tax rate for manufacturing SMEs, from 8% to 6% starting June 5, 2014 and to 4% starting April 1, 2015;
  - an additional deduction for transportation costs of remote manufacturing SMEs;
- measures supporting investment and direct assistance measures, particularly to promote innovation and exports, including a holiday from the contribution to the Health Services Fund to encourage the hiring of specialized workers in SMEs for innovation projects.

These measures are applied against the tax expenses of businesses and may not exceed the total expenses payable.

TABLE 15

20% reduction in tax credit rates – Budget 2014-2015

Tax credits	Tax base	Rate	
		Before Budget	**After Budget**
Research and development			
– Salaries of researchers	Salaries paid / research contracts	17.5% / 37.5%	14% / 30%
– University research	Research contracts	35%	28%
– Private partnerships	Salaries and equipment/ research contracts	35%	28%
– Research consortium	Dues and contributions	35%	28%
Technology adaptation services	Technology transfer expenses	50%	40%
Development of e-business	Salaries paid	30%	24%
Production of multimedia titles	Salaries paid	26.25% / 37.5%	21% / 30%
Major employment-generating projects	Salaries paid	25%	20%
Design	Salaries paid	15% / 30%	12% / 24%
Processing activities in the resource regions	Increase in payroll	10%	8%
Gaspésie and certain maritime regions of Québec	Increase in payroll / salaries paid	20% / 40%	16% / 32%
Vallée de l'aluminium	Increase in payroll	20%	16%
Operator of an international financial centre	Salaries paid	30%	24%
New financial services corporation	Start-up costs	40%	32%
Hiring of employees by a new financial services corporation	Salaries paid	30%	24%
Investments relating to manufacturing and processing equipment			
– Basic rate	Machinery and equipment	5%	4%
– Central regions	Machinery and equipment	10%	8%
– Resource regions	Machinery and equipment	20% / 30% / 40%	16% / 24% / 32%
Tax credit relating to resources	Exploration and development expenses	15% / 38.75%	12% / 31%
Diversification of markets of manufacturing companies	Certification expenses	30%	24%
Modernization of the tourism accommodation offering	Renovation expenditures	25%	20%
Québec film and television production	Salaries paid	35% / 65%	28% / 52%
Film production services	All expenditures / salaries paid	25% / 45%	20% / 36%
Film dubbing	Salaries paid	35%	28%
Production of sound recordings	Salaries paid	35%	28%
Production of shows	Salaries paid	35%	28%
Book publishing	Salaries paid	35% / 27%	28% / 21.6%
Production of multimedia environments or events	Salaries paid	35%	28%
On-the-job training period	Salaries paid	30% / 40%	24% / 32%
Manpower training in the manufacturing, forest and mining sectors	External training and salaries paid	30%	24%

3. TAX CREDITS AND OTHER MEASURES

Tax credits and other measures make up the largest share of tax assistance for businesses; they totalled nearly $2.2 billion in 2013.

— Of that amount, $1.9 billion came specifically from tax credits.

— Other measures consist of tax holidays and certain incentive measures, such as accelerated depreciation measures.

Corporations that carry out research and development (36%) or activities related to the new economy (22%) obtained the largest share of the amounts granted in 2013.

TABLE 16

Tax credits and other measures for businesses by category – 2013

	Amount (millions of $)	Proportion
Research and development	792	36%
New economy	473	22%
Investment	409	19%
Culture	205	10%
Regions	181	8%
Other	117	5%
TOTAL	**2 177**	**100%**
Tax credits	***1 902***	***87%***
Other measures(1)	***275***	***13%***

(1) Including tax holidays and certain incentive measures, such as accelerated depreciation measures.

This section examines:

— certain general characteristics of tax credits;

— support for research and development;

— assistance for the new economy;

— support for investment;

— assistance for culture;

— support for the regions.

3.1 Certain general characteristics of tax credits

❑ The main tax credits

The six most costly tax credits accounted for 82% of the total cost of tax credits in 2013.

— The research and development tax credit for researchers' salaries was the most costly tax credit for the government. It amounted to $739 million and accounted for 39% of the total cost of tax credits.

— The second most costly tax credit was the tax credit for the development of e-business. It amounted to $293 million, or 15% of the total cost.

TABLE 17

Cost of the main tax credits for businesses – 2013

Tax credits	Amount (millions of $)	Proportion
Research and development – Salaries	739	39%
Development of e-business	293	15%
Investments relating to manufacturing and processing equipment	142	7%
Production of multimedia titles	135	7%
Tax credit relating to resources	130	7%
Québec film and television production	125	7%
Subtotal for the main tax credits	**1 564**	**82%**
Other tax credits	338	18%
TOTAL	**1 902**	**100%**

❑ A limited number of recipient corporations

A large proportion of tax credits are granted to a limited number of corporations. Based on the 2011 data, it should be noted that out of the 16 990 corporations that receive tax credits:

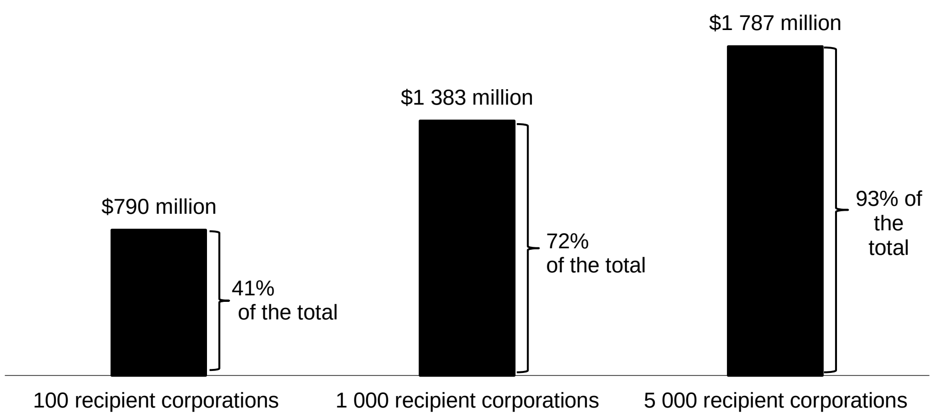
— 100 corporations, or less than 1% of recipient corporations, were granted over 40% of the total amount of tax credits ($790 million);

— 1000 corporations, or less than 6% of recipient corporations, were granted over 70% of the total amount of tax credits ($1 383 million);

— 5 000 corporations, or 29% of recipient corporations, were granted over 90% of the total amount of tax credits ($1 787 million).

CHART 9

Proportion of total tax credits granted, by group of recipient corporations – 2011



❑ Refundable tax credits

Almost all of the tax credits granted to Québec corporations are refundable.[7] In other words, a corporation may benefit fully from them even though the tax expense it has to pay to the government is less than the amount of the tax credits to which it is entitled.

— For 2011, 49% of corporations that benefited from tax credits received a refund.

The refunded portion of tax credits as a whole stood at 82% in 2011. It was especially high for tax credits relating to culture (98%), the regions (89%) and the new economy (83%).

TABLE 18

Refunded portion of tax credits – 2011

	Amount (millions of $)	Portion applied against tax[1]	Refunded portion
Research and development	709	25%	75%
New economy	474	17%	83%
Investment	277	19%	81%
Regions	211	11%	89%
Culture	205	2%	98%
Other	43	39%	61%
TOTAL	**1 919**	**18 %**	**82%**

(1) Corporate income tax, the capital tax paid by insurance companies, the compensatory tax on financial institutions, and the capital tax.

7 In 2011, out of more than 40 tax credits, only one was non-refundable, i.e. the tax credit for the hiring of employees specializing in financial derivatives, and another was partially refundable, i.e. the investment tax credit.

❑ Tax credits by activity sector

When only businesses that receive tax credits are taken into account, the net tax burden of certain sectors is negative. This is the case, in particular, of the individual services and the business services sectors, which had a negative net tax burden of $178 million and $112 million, respectively, in 2011.

Conversely, the sector that had the highest positive net tax burden was the manufacturing and processing sector, with a balance of $674 million.

TABLE 19

Net tax burden of corporations that receive tax credits – 2011
(millions of dollars)

	Number of businesses	Tax credit	Tax burden[1] before tax credit	Net tax burden
Primary sector	1 970	196	178	−17
Manufacturing and processing	4 951	605	1 279	674
Construction	881	28	140	112
Transportation, communications and public services	513	66	210	144
Wholesale and retail trade	2 795	155	605	450
Financial institutions	50	2	267	265
Insurance and other financial services	19	2	328	326
Real property services and other financial intermediaries	506	26	162	137
Business services	2 904	544	432	−112
Individual services	2 187	280	102	−178
Indeterminate	214	16	14	−2
TOTAL	**16 990**	**1 919**	**3 718**	**1 799**

(1) The tax burden represents the sum of corporate income tax, the employer contribution to the Health Services Fund, the compensatory tax on financial institutions, the capital tax paid by insurance companies, and the capital tax.
Note: Since figures are rounded, they may not add up to the total shown.

3.2 Support for research and development

Québec offers corporations that carry out R&D activities in Québec an assistance regime consisting of four R&D tax credits:

- the tax credit for researchers' salaries;
- the tax credit for a research contract entered into with a university, an eligible public research centre or a research consortium;
- the tax credit for private partnership research;
- the tax credit for dues and contributions paid to a research consortium.

In 2013, roughly 8 500 businesses claimed R&D tax credits from Québec for an estimated cost of $792 million.

TABLE 20

Tax credits for research and development – Summary

Tax credits	Tax credit base	Rate	Objective
Salary	Salary or 50% of the amount of the subcontract entered into with a third party at arm's length	SME:[1] 30% Big enterprise:[1] 14%	Further stimulate R&D activities in businesses
University research	80% of the amount of the subcontract entered into with a university, an eligible public research centre or a research consortium	28%	Encourage synergy between corporations and Québec public research centres
Private partnership	80% of the amount of the subcontract or 100% of the amount of the R&D work carried out under a partnership contract	28%	Encourage the formation of private company partnerships
Research consortium	Amount of dues and contributions paid	28%	Support the financing of private research centres

(1) The tax credit for researchers' salaries includes an increased rate of 30% applicable to the first $3 million of annual eligible expenditures in the case of corporations with assets of less than $50 million. A linear reduction in the rate of the tax credit (from 30% to 14%) applies in the case of corporations with assets of $50 million to $75 million. The rate is 14% when assets are in excess of $75 million.

❑ A comparison of tax support for R&D

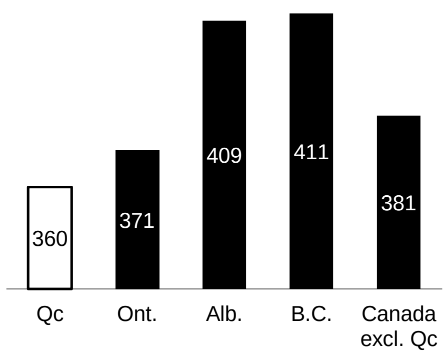
A comparison of the tax support offered by the Canadian provinces for R&D shows that Québec SMEs benefit from the most advantageous regime in Canada.

In the case of big enterprises, the tax assistance granted by Québec is competitive within Canada. The net cost after tax of an R&D expenditure is below the Canadian average and that of Ontario, Québec's principal competitor in R&D.[8]

Furthermore, the assistance paid in Québec is not subject to a cap[9] and is refundable in full, unlike in certain other provinces, including Ontario and British Columbia, where such tax credits are non-refundable.

CHART 10

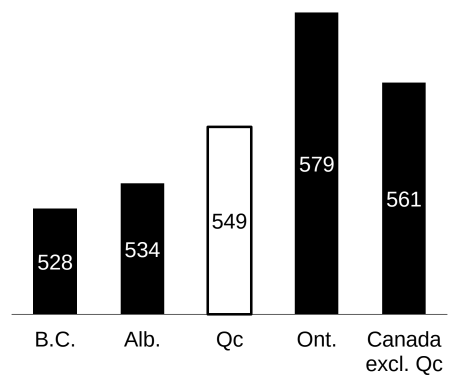
Net cost after tax of an R&D expenditure of $1 000 for an SME
(dollars)



(1) Weighted average based on R&D expenditures in each Canadian province.

CHART 11

Net cost after tax of an R&D expenditure of $1 000 for a big enterprise
(dollars)



(1) Weighted average based on R&D expenditures in each Canadian province.

8 Roughly 80% of the R&D expenditures of Canadian businesses are made in Québec and Ontario.

9 Alberta's tax credit is capped at $400 000 per business, per year.

3.3 Assistance for the new economy

In 2013, Québec's tax assistance for the new economy represented $473 million. This tax assistance consisted mainly of:

— the tax credit for the development of e-business ($293 million in 2013);

— the tax credit for the production of multimedia titles ($135 million in 2013).

❑ The tax credit for the development of e-business

The tax credit for the development of e-business was implemented in 2008. This measure is designed, in particular, to:

— consolidate the development of businesses operating in the information technology sector in Québec as a whole;

— foster productivity by stimulating supply and demand for software by Québec businesses as a whole.

The rate of the tax credit is 24% and it applies to salary expenditures related to high-value-added activities such as the development and integration of computer systems into the business processes of enterprises.

This tax credit replaced the former tax assistance regime related to designated sites of the new economy.

Government support for the information technology sector is widespread throughout the world and takes different forms, such as direct subsidies.

❑ The tax credit for the production of multimedia titles

The tax credit for the production of multimedia titles, implemented in 1996, is intended essentially to develop and support the video game industry in Québec.

The tax credit targets labour expenditures related to the development of multimedia titles.

Its rate varies from 21% to 30%, depending on the category of titles produced.

TABLE 21

Rate of the tax credit for the production of multimedia titles
(as a percentage)

Category	Rate	Increase for French-language version	Total
Titles intended for commercialization other than occupational training titles	24%	6%	**30%**
Other titles including occupational training titles	21%	—	**21%**

This tax assistance is competitive within Canada. Indeed, only two of the six other provinces providing similar assistance have a tax credit that is more advantageous than that offered by Québec:

— Ontario, Québec's principal competitor when it comes to attracting investment in this sector, offers a tax credit at a rate of 35%. In some cases, the rate can reach 40%.

— Nova Scotia offers a tax credit at a rate of 50%. In some cases, the rate can reach 60%. However, this tax credit is set to expire on December 31, 2014.

The assistance provided by Québec compares favourably at the international level with that provided in various American states and in France.

❑ Other fiscal measures for the new economy

Québec also offers other tax credits targeting activities of the new economy, such as the tax credit for design and the tax credit for major employment-generating projects.

— Introduced in 1994, the tax credit for design is intended to support and accelerate the innovation efforts of companies that decide to pursue the design function in order to compete more effectively. The rate of this tax credit varies from 12% to 24% depending on the size of the business concerned and it applies to designers' salaries.

— Implemented in 2005, the tax credit for major employment-generating projects is designed to attract major outsourcing contracts in the information technology sector to Québec. The rate of the tax credit is 20% and it applies to labour expenditures. This measure applies to eligible salaries paid before January 1, 2017 for contracts concluded before January 1, 2008.

3.4 **Support for investment**

In 2013, tax assistance to support investment represented $409 million and included:

- the investment tax credit ($142 million in 2013);
- the accelerated depreciation for manufacturing and processing equipment ($22 million in 2013);
- the tax holiday for large investment projects (new measure in the *2013-2014 Budget*).

❑ The investment tax credit

The main measure designed to support investment is the investment tax credit for manufacturing and processing equipment, which makes it easier for businesses to acquire cutting-edge equipment and thus improve their productivity.

This tax credit is adjusted on a regional basis. Indeed, it provides for increased rates for investments made in the resource regions in order to recognize the competitiveness challenges faced by businesses in those regions, in particular, their remoteness from major urban centres and the higher operating costs this entails.

This tax credit gradually replaced, as of 2008, the tax credits on salaries in the resource regions in order to steer the taxation system toward assistance for investment rather than for salaries.

All manufacturing and processing companies are eligible for the tax credit, except aluminium producing companies and oil refining companies.

TABLE 22

Parameters of the investment tax credit

	Rate according to the size of corporations	
	Paid-up capital less than $250 million [1]	**Paid-up capital greater than $500 million** [1,2]
Central regions		
Capitale-Nationale, Estrie, Montréal, Outaouais, Chaudière-Appalaches, Laval, Lanaudière, Laurentides, Montérégie and Centre-du-Québec	8%	4%
Resource regions		
Intermediate zone		
Western Bas-Saint-Laurent,[3] Saguenay–Lac-Saint-Jean, Mauricie and Antoine-Labelle, Pontiac and La Vallée-de-la-Gatineau RCMs	16%	4%
Eastern Bas-Saint-Laurent: La Matanie, La Mitis and La Matapédia RCMs	24%	4%
Remote zone		
Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec and Gaspésie–Îles-de-la-Madeleine	32%	4%
Refundability	Yes	No
Cumulative cap on eligible investments giving rise to enhanced parameters	$75 million	Not applicable
Eligible investments	Manufacturing and processing equipment (capital cost allowance classes 29 and 43) acquired before December 31, 2017. Equipment used for smelting, refining and hydrometallurgy [4] acquired before December 31, 2017.	

(1) Where a corporation's paid-up capital, calculated on a consolidated basis, is greater than $250 million, but less than $500 million, the increased rate of the tax credit and the portion in which it is refundable are reduced linearly.
(2) These parameters also apply to eligible investments that exceed the cumulative cap of $75 million.
(3) Including the Rivière-du-Loup, Rimouski-Neigette, Kamouraska, Témiscouata and Les Basques RCMs.
(4) Excluding equipment used for smelting, refining or hydrometallurgy of ore extracted from a gold or silver mine.

❑ Accelerated depreciation for manufacturing and processing equipment

The main accelerated capital cost allowance measure targets investments in manufacturing and processing equipment at a rate of 50% calculated using the linear method instead of 30% using the declining-balance method.

— This accelerated capital cost allowance constitutes a harmonization provision with the federal taxation system.

The capital cost allowance makes it possible to deduct in the calculation of income an amount corresponding to a given percentage of the undepreciated balance of the cost of depreciable property. Granting an accelerated capital cost allowance for certain property is designed to promote investment in an economic sector.

❑ The tax holiday for large investment projects

Since November 2012, a tax holiday has been offered to attract large investment projects that generate well-paid jobs and stimulate the activities of suppliers to Québec.

This tax holiday enables businesses that carry out major investment projects to avoid paying corporate income tax and contributions to the Health Services Fund for a 10-year period.

TABLE 23

Main parameters of the tax holiday for large investment projects

Eligible activity sectors	– Manufacturing sector – Wholesale trade and warehousing – Data processing and hosting
Minimum investment threshold	– $200 million in an eligible activity sector in Québec
Targeted tax bases	– Corporate income tax – Contribution to the Health Services Fund
Length of the tax holiday	– 10 years
Maximum value of the tax holiday	– 15% of total eligible investment expenditures
Application period for an initial certificate[1]	– Before November 21, 2015

(1) To benefit from the tax holiday, businesses must first apply for an initial certificate to ensure that the projects they submit are compliant.

3.5 Assistance for culture

In 2013, tax assistance for culture represented $205 million.

Seven tax credits are available for corporations in the cultural sector, i.e. the tax credits for:

- Québec film and television production;
- film production services;
- film dubbing;
- production of shows;
- production of sound recordings;
- book publishing;
- production of multimedia environments or events staged outside Québec.

The first two tax credits are the most costly, i.e. $125 million and $55 million, respectively.

❑ The tax credit for Québec film and television production

The tax credit for Québec film and television production is intended to support independent Québec producers and foster the growth of their businesses.

In general, a corporation is eligible if, during the year, it has an establishment in Québec and is a business that produces films or television shows.

Generally speaking, the tax credit applies to labour expenditures at a rate of 28%. The rate increases to 36% for short, medium and feature-length fiction films, certain broadcasts intended for young people, certain documentaries, provided they are in French and for giant-screen films, regardless of the language.

In addition, various increases are offered as part of this measure: the increase for computer animation and special effects (8%), the regional increase (8% or 16%) and the increase for certain productions that do not receive any financial assistance granted by a public body (8%).

Even though a corporation may benefit from more than one increase, the rate of the tax credit may not exceed a maximum of 52%. Moreover, expenditures eligible for the tax credit are limited to 50% of total production costs, which represents a maximum effective rate of 26% of these costs.

❑ The tax credit for film production services

This tax credit is designed to stimulate job creation in Québec by encouraging foreign producers to shoot films and television shows and carry out computer animation and special effects in Québec.

It applies to corporations having an establishment in Québec that holds the copyright to the eligible production or has entered into an agreement with the copyright owner to produce a film or television show.

The basic rate of the tax credit is 20% and it is applicable to production expenses. An increase of 16% calculated on the labour costs related to the carrying out of computer animation and special effects is added to the basic rate.

3.6 Support for the regions

In 2013, tax assistance for the regions represented $181 million and consisted mainly of:

— the tax credit relating to resources ($130 million in 2013);

— the tax credits for the resource regions ($44 million in 2013).

In addition, in the *2014-2015 Budget*, the government implemented an additional deduction for the transportation costs of remote manufacturing SMEs.

❑ The tax credit relating to resources

The tax credit relating to resources was implemented in 2001. Its purpose is to support mining, oil or gas exploration work carried out in Québec as well as work relating to renewable energy and energy conservation.

Expenses incurred for exploration and development work are eligible for the tax credit, the rate of which may reach 31% of eligible expenses.

— The basic rate is 12%. This rate is raised to 28% for corporations that do not operate any mineral resource or oil or gas well.

— The rates of 12% and 28% are raised to 15% and 31%, respectively, for eligible expenses incurred in the Near North or Far North.

There is also a flow-through share, or flow-through share financing, regime that is designed to foster the financing of mining companies.[10]

[10] The flow-through share regime enables, in particular, a taxpayer who purchases a flow-through share to benefit from a base deduction equivalent to 100% of the purchase price if the financing thus obtained by the issuing company is used to pay the cost of exploration or development work pertaining to a mineral, oil or gas resource incurred in Canada and if the expenses thus incurred are renounced in favour of the shareholder. The flow-through share regime is classified as a business capitalization measure and is described in detail in the document *Québec's Personal Income Tax System*.

❑ Tax credits for the resource regions

Three tax credits were implemented for the resource regions in 2000 and 2001. The purpose of these measures was to foster job creation and encourage economic diversification in the resource regions by supporting secondary or tertiary processing of resources such as wood, metals, food, aluminium, wind energy and marine products.

Since 2008, these three tax credits have undergone several changes. Drawing inspiration from the recommendations of the Task Force on Tax Assistance for the Resource Regions and the New Economy, the government has made the transition to a taxation system that is more favourable to investment in order to boost the productivity of businesses and make them more competitive internationally.

— Businesses in the resource regions benefit from increased rates in respect of the investment tax credit for the acquisition of manufacturing or processing equipment.

— The rates of the three tax credits based on salaries have declined gradually and the tax credits will expire on December 31, 2015.

❑ The additional deduction for the transportation costs of remote manufacturing SMEs

In the *2014-2015 Budget*, the government announced a new fiscal measure to support the regions: the additional deduction for the transportation costs of remote manufacturing SMEs.

This measure is designed to provide compensation for the higher transportation costs of manufacturing SMEs that are remote from major urban centres and thus enable them to be more competitive, particularly in regard to sales intended for export markets.

The additional deduction for manufacturing SMEs located outside the Montréal, Québec and Gatineau census metropolitan areas is adjusted on the basis of distance and corresponds to:

— 2% of gross income, in the intermediate zone, with a $100 000 cap per corporation;

— 4% of gross income, in the remote zone, with a $250 000 cap per corporation;

— 6% of gross income, in the special remote zone, with no cap per corporation.

4. BUSINESS CAPITALIZATION MEASURES

The personal income tax system makes provision for certain fiscal measures to facilitate the capitalization of Québec businesses, which are thus considered to be tax assistance for businesses.

In particular, these fiscal measures support three tax-advantaged funds, including two labour funds and Capital régional et coopératif Desjardins.

— The Fonds de solidarité FTQ, created in 1983, was the first fund to be set up. This labour fund invests in a total of 25 activity sectors, from aerospace to the agri-food industry to clean technologies. It specializes, however, in traditional sectors.

— A second labour fund, Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, was created in 1995. Fondaction invests in a range of activity sectors and specializes in the social economy and sustainable development, as well as in companies involved in a participative management process.

— Capital régional et coopératif Desjardins also invests in a number of different sectors and has been in operation since 2001. Its mission is to invest in businesses located in the resource regions and in cooperatives. It specializes in business transfer and succession.

These tax-advantaged funds also participate in the capitalization of private funds, in particular, Teralys Capital, FIER Partners and Fonds Relève Québec.

Québec’s labour funds stand out from those of the other provinces in terms of their large size. With net assets of over $10 billion, the Fonds de solidarité FTQ is considered the largest development capital fund in Canada. The net assets of Fondaction amount to roughly $1.2 billion and those of Capital régional et coopératif Desjardins, roughly $1.5 billion.

Labour funds also encourage saving for retirement. They are a savings vehicle for many Quebecers, in particular, for middle-class and low-income households.

❑ Benefits accorded to investments in tax-advantaged funds

The government supports these three tax-advantaged funds by granting individuals a non-refundable tax credit for the purchase of shares.

Support is also granted to these labour funds by making such investments eligible for registered retirement savings plans (RRSPs).

— Over 720 000 people hold shares in the labour funds in order to build or supplement their pension plan.

— Every year, out of the 1.5 million people who contribute to an RRSP, roughly 300 000, or 20% of RRSP contributors in Québec, contribute to the labour funds.

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TABLE 24

Main parameters of tax-advantaged funds

Cap on annual issues	Fonds de solidarité FTQ: $650 million for its fiscal year 2014-2015 Fondaction: $200 million for its fiscal year 2014-2015 Capital régional et coopératif Desjardins:[1] $150 million
Fiscal measures	Rate of the tax credit in Québec: – Fonds de solidarité FTQ: 15% – Fondaction: 25% until May 31, 2015, 15% thereafter – Capital régional et coopératif Desjardins: 45% Maximum purchase of $5 000 per year, per shareholder[2]
Holding period of shares	Labour funds: until retirement, minimum of 2 years Capital régional et coopératif Desjardins: minimum of 7 years

(1) Given that the maximum capitalization level of $1.25 billion has been reached, the amount of issues for a given year is limited to the lesser of $150 million and the amount of redemptions made in the previous year. For the 2015-2016 capital-raising period, the fund will be able to issue $150 million in shares despite the fact that the capitalisation cap has been reached.
(2) In the case of the labour funds, this limit applies to contributions to the two funds as a whole.

❑ Conditions imposed on tax-advantaged funds

In return for the tax assistance granted, tax-advantaged funds must satisfy an investment requirement stipulating that at least 60% of their portfolio must be made up of eligible investments, such as investments in Québec SMEs. The purpose of this requirement is to ensure that the funds collected through government assistance are used as a financing tool contributing to the development of Québec entities.

An additional regional constraint applies in the case of Capital régional et coopératif Desjardins, since a minimum of 35% of eligible investments subject to the 60% requirement (21% of net assets) must be invested in businesses in the resource regions or in cooperatives.

PART 3: TAXES, ROYALTIES AND FEES LEVIED ON CORPORATIONS

Enterprises are subject to other tax expenses of three kinds:

— taxes paid by corporations;

— the mining tax and royalties applicable to certain natural resources;

— the fees applicable to corporations.

1. TAXES PAID BY CORPORATIONS

This section examines:

— consumption taxes;

— local taxation

4.1 **Consumption taxes**

The Québec sales tax (QST), implemented in 1992 to replace the retail sales tax, is the main Québec consumption tax.

The QST, like the goods and services tax (GST), is a value-added tax levied on a wide array of goods and services at all stages of production and distribution.

Since the tax is payable by the final consumer, enterprises throughout the production and distribution chain are usually entitled to the input tax rebate (ITR), i.e. a rebate of the tax paid on goods and services acquired within the context of their businesses activities.

However, unlike the GST system, the QST system makes provision for restrictions on the ITRs of big enterprises applicable to certain goods and services.

Accordingly, enterprises with taxable annual sales that exceed $10 million may not take advantage of the ITR in respect of the following goods and services:

- electricity, gas, fuel and steam, except if they are used to produce movable properties intended for sale;
- road vehicles of less than 3 000 kg;
- gasoline used to operate road vehicles of less than 3 000 kg;
- telecommunications services, except for Internet services and 1 800 services (or any code that is an extension thereof);
- meals and entertainment that are 50% deductible pursuant to the Québec *Taxation Act.*

Under the *Comprehensive Integrated Tax Coordination Agreement* concluded between the Government of Canada and the Québec government in March 2012 in order to further harmonize the QST system and the GST system, Québec undertook to gradually eliminate the restrictions on the ITRs of big enterprises over a three-year period commencing on January 1, 2018.

4.2 Local taxation

Property taxes are a field of taxation that the municipalities and the school boards share. In the case of the municipalities, unlike the revenues of school boards, property tax revenues are not included in the government's consolidated revenue.

Contrary to income tax or the sales tax, property tax is levied on an asset (building or lot) rather than a monetary flow.

To this end, property tax does not make specific provisions for enterprises since it applies to an immovable, independently of whether an individual or a corporation owns it.

The assessment rolls provide the basis for levying property taxes. Municipal bodies (RCMs or major local municipalities) are responsible for producing the assessment rolls according to the standards and methods established by the Ministère des Affaires municipales et de l'Occupation du territoire.

❑ Municipal property tax

Local municipalities are the only municipal bodies empowered to levy property taxes. The *Act respecting municipal taxation* provides the main general framework for municipal taxation.

Property taxes are taxes levied on the value of property registered on the real estate assessment roll:

— throughout the territory of the municipality (general taxes);

— on a portion of the territory of a municipality (sector taxes or local improvement taxes).

The municipalities have the possibility of applying a property tax scheme at different rates according to different categories of property stipulated by legislation:

— immovables with six or more dwelling units;

— other residential immovables ("residual" category);

— farm property;

— serviced vacant lots;

— industrial immovables;

— other non-residential immovables.

The introduction of variable rates enables the municipalities to mitigate the fiscal transfers that would likely have arisen between different categories of immovables in the wake of the establishment of a new assessment roll.

Variable rates are subject to certain capping rules.

— No ceiling applies to the base rate that is applicable to immovables in the residual category (residential immovables with fewer than six dwelling units).

— The rates applicable to other categories of immovables may not be lower than the base rate, except for farm property.

— The rates other than the base rate are also subject to additional guidelines.

❑ School property tax

The school boards levy the school property tax on the value of properties registered on the real estate assessment roll of the municipalities included in their territory. It is the school boards that are empowered to tax.

All immovables are treated in the same way and, unlike the municipalities, the school boards are not empowered to levy variable rates according to different classes of immovables.

The school property tax must be devoted to the organization of educational services. Limits are imposed in this respect concerning the revenue that can be generated and the tax rate applied:

— revenue may not exceed a maximum amount that the government determines each year;

— the tax rate set by the school boards may not exceed $0.35 per $100 of standardized property assessment.

5. THE MINING TAX AND ROYALTIES

The government obtains additional revenue from natural resource exploitation in its territory. The revenue comes from:

- the mining tax regime;
- royalty regimes respecting:
  - surface mineral substances;
  - hydrocarbons;
  - forest resources.

5.1 The mining tax

The mining tax regime is intended to ensure that Quebecers obtain fair compensation for the exploitation of non-renewable mineral resources. When it determines mining duties, or royalties, the government endeavours to strike a balance between returns and the competitiveness of its mining taxation.

The mining tax regime has been amended in recent years. The main changes are:

— the determination of the tax base by means of a “mine by mine” approach instead of a corporate base;

— the adjustment of certain existing parameters such as the rates and the limits on the deductions available;

— the implementation of a minimum mining tax and the progressivity of the mining tax in respect of profits.

❑ The calculation of the mining tax

Under the mining tax regime, mine operators pay the greater of a minimum mining tax for a given fiscal year or a mining tax based on the operator’s profit for the year.

The minimum mining tax
All mining companies must pay a royalty The regime makes provision for an ad-valorem royalty, the minimum mining tax, to ensure that all mine operators in Québec pay a minimum royalty. The minimum mining tax takes the place of financial compensation for the appropriation of mineral resources until the exploitation of such resources generates profits. **A minimum royalty of 1% of the value of output at the mine shaft head** In a given fiscal year, the ad-valorem royalty is calculated on the sum of the value of output at the mine shaft head of each of the mines operated. The royalty is 1% of the value of output at the mine shaft head less than or equal to $80 million, calculated on an annual basis. The royalty is 4% of the value of output at the mine shaft head that exceeds $80 million. **Compensation of the minimum mining tax paid** The minimum mining tax paid in a fiscal year may be accrued to be used against the mining tax on future profit in the form of a non-refundable tax credit in respect of the minimum mining tax.

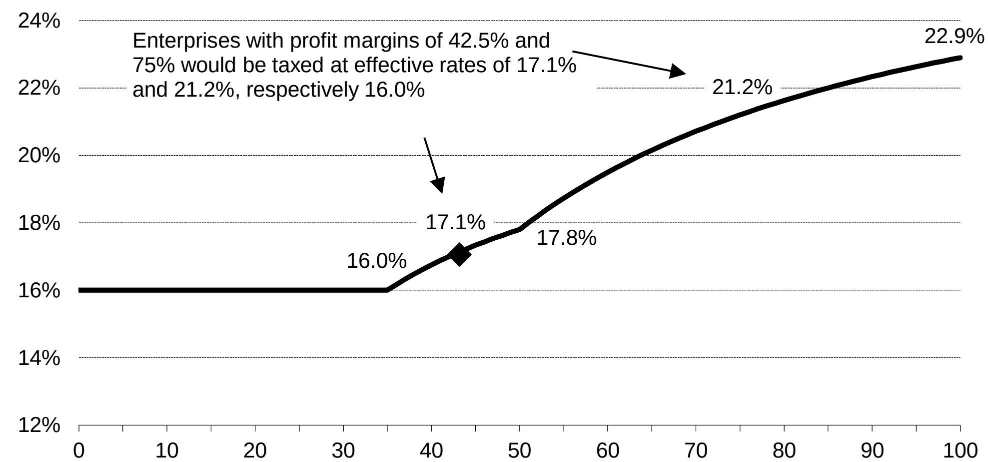
Accordingly, the higher an operator's profitability, the higher the marginal taxation rate applicable to mining profit will be. The tax rate ranges from 16% to 28%, depending on the profit margin.

The effective accrued rate thus stands at:

- 16.0% for a mine operator whose profit margin is equal to or less than 35%;
- 17.1% for a mine operator whose profit margin is 42.5%;
- 17.8% for a mine operator whose profit margin is 50%;
- 21.2% for a mine operator whose profit margin is 75%;
- 22.9% for a mine operator whose profit margin is 100%.

CHART 12

The mining tax on profit
(percentage rate)



Allowances and the duties credit for losses under the mining tax regime

Allowances

The mining duties regime makes provision for allowances intended to acknowledge certain expenses and avoid taxing the added value induced by processing activities.

Depreciation allowance

Operators may take advantage of a depreciation allowance in respect of acquisitions of capital property used in the mining operation, e.g. a road, a building, equipment and service property.

Post-production development allowance

Operators may benefit from the allowance in respect of development expenses incurred after the coming into production in reasonable commercial quantities of a mine in Québec. The expenses are accrued in a separate account for each mine.

Processing allowance

The processing allowance recognizes that a portion of the gross value of annual output attributable to a mine comes from the added value given to mineral substances and processing products by processing activities.

Additional allowance for a mine situated in Northern Québec

This allowance is intended to take into account the high costs linked to the coming into production of a mine located in the northern territory.

Exploration allowance

The exploration allowance is intended to support exploration projects. It covers surface and underground exploration costs.

Pre-production development allowance

This allowance takes into account the expenses incurred to bring a new mine to the production stage in reasonable commercial quantities.

The refundable duties credit for losses

The refundable duties credit for losses allows an operator who incurs in the course of a fiscal year pre-production development expenses and, in the case of an eligible operator, exploration expenses, to obtain a refund equivalent to a portion of the eligible expenses incurred if the operator sustains a loss in the fiscal year.

❑ Mining duties collected by the government

Québec has a limited number of producing firms and a considerable number of exploration companies:

— In 2011, 20 mining companies were developing deposits and 167 firms were exploring Québec's territory to discover resources.

The mining duties paid by producing firms rose sharply in the 2000s and economic conditions engendered a significant increase in their profitability.

— The mining duties payable rose from $18 million in 2000 to $351 million in 2011.

TABLE 25

Details of mining duties and refundable duties credits for losses – 2000 to 2011
(millions of dollars)

	Exploration companies				Producing firms			
Year	Number	Gross value of annual output	Net annual profit	Net duties payable	Number	Gross value of annual output	Net annual profit	Net duties payable
2000	84	0.0	−23.2	−1.9	26	2 645	107	18
2001	96	26.5	−72.4	−3.4	23	2 634	98	15
2002	99	24.2	−45.0	−4.2	25	2 489	28	13
2003	111	0.0	−42.6	−3.9	25	2 307	32	11
2004	124	3.1	−89.5	−8.2	25	2 649	136	21
2005	114	33.9	−97.5	−8.3	22	2 718	277	39
2006	133	7.0	−134.8	−12.8	19	3 177	443	64
2007	143	2.0	−210.3	−21.1	23	3 833	336	46
2008	157	5.3	−284.0	−26.5	20	4 787	837	110
2009	160	21.4	−199.1	−14.4	19	4 025	495	61
2010	163	1.1	−132.7	−10.2	20	5 757	1 985	275
2011	167	0.5	−158.2	−10.2	20	7 266	2 331	351

❑ Changes in mining duties

Mining duties reached $334 million in 2011-2012 against a backdrop of rising prices for raw materials. They stood at $38 million in 2013-2014.

— They should reach $140 million for the period 2014-2015.

TABLE 26

Mining duty revenue – 2011-2012 to 2014-2015
(millions of dollars)

	2011-2012	2012-2013	2013-2014(1)	2014-2015(2)
Mining duty revenue	334	191	38	140

(1) Preliminary data.
(2) Forecast.

5.2 **Royalties on surface mineral substances**

Not all mineral substances are subject to the mining tax regime. So-called surface mineral substances such as sand and gravel are subject instead to the *Regulation respecting mineral substances other than petroleum, natural gas and brine.*

In 2011, $3.3 million in royalties on the exploitation of such resources was collected.

5.3 **Hydrocarbon royalties**

The geology of Québec's territory possesses characteristics that might favour large-scale exploitation of hydrocarbons.

The information now available suggests that Québec's theoretical oil potential stands at more than 50 billion barrels. Such potential is located mainly on Île d'Anticosti, in the eastern Gaspé Peninsula and the Gulf of St. Lawrence.

The regime applicable varies according to the type of hydrocarbons and their source:

— oil produced in the terrestrial environment;

— hydrocarbons in the marine environment;

— conventional natural gas or shale gas.

❑ Oil produced in the terrestrial environment

The current regime respecting oil makes provision for the payment of a royalty ranging from 5.0% to 12.5% of the wellhead value, depending on the average daily output of a well in a given month. The regime was last modified in 1980.

TABLE 27

Québec's oil royalty regime

Average daily output of a well in a given month	**Royalty rate**
Less than 44 barrels[1]	5% of the value at the wellhead
Between 44 and 189 barrels[2]	5% of the value at the wellhead on the first 44 barrels 10% of the value at the wellhead on the surplus
More than 189 barrels[2]	8.75% of the value at the wellhead on the first 189 barrels 12.5% of the value at the wellhead on the surplus

(1) The regulation gives the equivalent in cubic metres, i.e. 7 m^3.
(2) The regulation gives the equivalent in cubic metres, i.e. 30 m^3.
Source: S. 104 of the *Regulation respecting petroleum, natural gas and underground reservoirs* (CQLR, chapter M-13.1, r. 1).

❑ Hydrocarbons in the marine environment

The royalty regime for oil in the marine environment is the same as for the terrestrial environment.

As noted earlier, the royalty rate ranges from 5.0% to 12.5% of the value at the wellhead, depending on the average daily output of a well in a given month.

❑ Conventional natural gas and shale gas

The current regime applicable to conventional natural gas and shale gas makes provision for the payment of a royalty of 10.0% or 12.5% of the value at the wellhead, depending on the average daily output of a well.

TABLE 28

Québec's natural gas royalty regime

Productivity	Royalty rate
Equal to or less than 2 966 mcf/d[1]	10% of value at the wellhead
More than 2 966 mcf/d	10% of the wellhead value on the first 2 966 mcf/d 12.5% of the wellhead value on the surplus

(1) Thousands of cubic feet per day. The regulation presents the equivalent in cubic metres, i.e. 84 000 m^3.
Source: S. 104 of the *Regulation respecting petroleum, natural gas and underground reservoirs* (CQLR, chapter M-13.1, r. 1).

5.4 **Timber royalties**

A company that cuts and harvests timber on public lands[11] in Québec must pay a royalty to the government. The forest royalty is established on the value of the wood harvested, i.e. the product of the volume of wood (in cubic metres) and the applicable unitary rates (in dollars per cubic metre).

The unitary rates vary according to the wood species and the location of harvesting.

❑ The new forest regime

Since the new forest regime came into force on April 1, 2013, roughly 80% of the annual available volumes of timber[12] have been reserved for companies holding timber supply guarantees.[13] The remaining 20% is offered to other companies at auctions managed by the Bureau de mise en marché des bois in the Ministère des Forêts, de la Faune et des Parcs.

The holders of timber supply guarantees are subject to the forest royalties applicable to wood harvested whose unitary rates are established annually by the Bureau de mise en marché des bois according to the market value of timber, determined, in particular, through timber sold at auction, and are indexed quarterly according to changes in the forest products price indices.

A company that benefits from a timber supply guarantee must pay an annual right of first refusal royalty to ensure guaranteed access to volumes of timber. The royalty corresponds to a percentage of the value of the timber available.

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11 The government is a major forest owner and public forests account for roughly 90% of Québec's forest land.

12 The available volumes of timber, i.e. the annual forest capacity, are determined by the Chief Forester in the Ministère des Forêts, de la Faune et des Parcs.

13 Prior to the implementation of the new forest regime, companies possessing a timber supply and forest management agreement had guaranteed access to all of the annual available volumes of timber, subject to compliance with certain conditions.

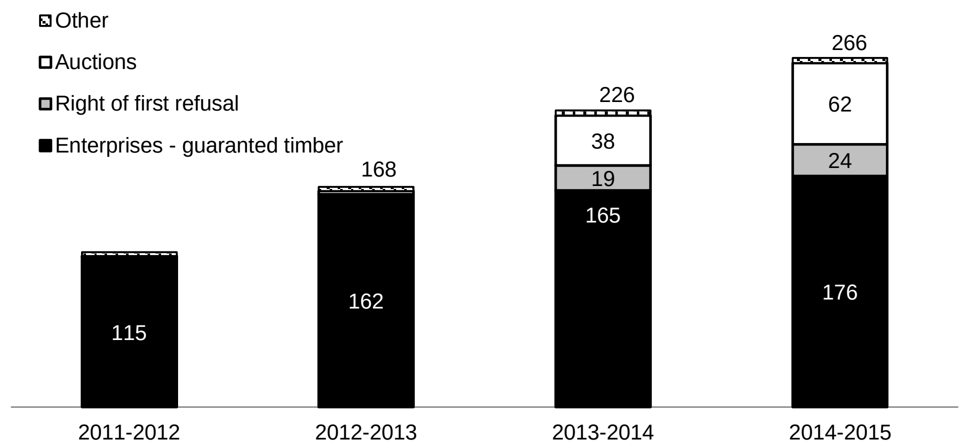
❑ Revenue from forest resources

The implementation of the new forest regime has increased government revenue from its forest resources.

Indeed, forestry revenue stood at $118 million in 2011-2012 and will reach more than $266 million in 2014-2015.

CHART 13

Change in forestry revenue – 2011-2012 to 2014-2015
(millions of dollars)



6. THE FEES APPLICABLE TO CORPORATIONS

The government collects user fees from corporations, individuals or other users, in particular the municipalities and other governments in respect of certain public services. User fees stand out from taxes through the direct link that they establish between the revenues collected and the service offered.

In 2011-2012, the user fee revenues collected from corporations came from, among others:

— motor vehicle registration fees ($290 million);

— insurance in the agricultural sector ($238 million);

— automobile insurance ($101 million).

User fees for natural resources
In addition to taxes, natural resource exploitation companies, especially in the mineral resource and hydrocarbon sectors, must pay fees and royalties in exchange for their use of common resources. Indeed, the government demands of corporations a consideration for the use of the territory where the resources are located: – during the exploration phase, the corporations must pay annual fees to maintain the privilege conferred by claims in the mining sector and exploration licences for oil, gas and underground reservoirs in respect of hydrocarbons; – during the resource development phase, a rent is demanded each year for production leases. In the realm of hydrocarbons, another class of licence exists that covers certain activities of corporations during resource exploration or exploitation. – For example, an enterprise that wishes to engage in drilling must first obtain a licence from the Ministère de l’Énergie et des Ressources naturelles and pay the attendant fees.

PART 4:THE CURRENT COMPETITIVENESS OF QUEBEC'S CORPORATE TAXATION SYSTEM

In the context of globalization, Québec has to compete with other jurisdictions when it comes to encouraging businesses to set up and keep their operations in Québec. Therefore, it is important to analyze the current competitiveness of Québec's corporate taxation system.

The comparison will examine two aspects:

— more generally, the weight of taxation in Québec relative to other jurisdictions;

— more specifically, the impact of the taxation system on the decision to invest in Québec.

1. A COMPARISON OF THE WEIGHT OF TAXATION

The weight of taxation in different jurisdictions can be compared in various ways.

To that end, the findings presented in this document will be examined by analyzing:

— a comparison of corporate income tax rates;

— a comparison of fiscal levies on total payroll;

— differences in the tax burden.

1.1 A comparison of corporate income tax rates

Québec is the only Canadian province to have raised its general taxation rate between 2000 and 2014, from 8.9% to 11.9 %.

In 2000, businesses benefited in Québec from the lowest statutory rate among the Canadian provinces. The average general corporate income tax rate in Canada was 15.9%, i.e. 7 percentage points higher than in Québec. This situation was to the advantage of Québec.

Following the various tax reforms announced by the provinces, the difference between the Québec rate and the average rate of the other provinces is now 0.8 percentage points.

TABLE 29

Statutory corporate income tax rates – General rates, 2000 and 2014
(as at July 1 of each year, as a percentage)

	2000	2014
Alberta	15.5	10.0
British Columbia	16.5	11.0
Québec	**8.9**	**11.9**
Manitoba	17.0	12.0
Saskatchewan	17.0	12.0
New Brunswick	17.0	12.0
Ontario	14.5	11.5
Newfoundland and Labrador	14.0	14.0
Nova Scotia	16.0	16.0
Prince Edward Island	16.0	16.0
Federal	29.12	15.0
Canadian average[1]	**15.9**	**12.7**

(1) Canadian average without Québec and the federal government.

A comparison of corporate income tax rates in North America

In 2014, the combined federal and provincial tax rate for active corporate income stood at 26.9% for Québec.

This combined tax rate is similar to that levied in Ontario (26.5 %) and compares favourably with the rates levied in the main American states, i.e. roughly 40%.

Combined federal and provincial corporate income tax rates, Québec, Ontario and main American states[1] - 2014
(as a percentage)

(1) The tax rates presented for the American states are the combined federal and state rates.
Sources: KPMG and Ministère des Finances du Québec.

❑ A comparison of SME taxation

In 2000, contrary to the other Candian provinces, Québec did not grant a reduced income tax rate for SMEs. All SME income was taxed at the rate of 8.9%.

A reduced rate was implemented as of January 2006 as part of the 2005-2006 business tax reform. In 2014, all of the Canadian provinces, except Québec (8%), granted a reduced tax rate for SMEs of less than 5%.

In the *2014-2015 Budget*, the government announced a reduction in the income tax rate for SMEs from 8% to 6% on June 5, 2014, and to 4% starting April 1, 2015 for SMEs in the manufacturing sector.

On average, the reduced tax rate for SMEs in Canada is 3.0% in 2014, compared with 6.1% in 2000.

It should be noted that the reduced tax rate for SMEs benefits mainly enterprises that do 100% of their business in Québec, have few assets and operate for the most part in sectors where competition is local, such as construction or the retail trade.

TABLE 30

Statutory corporate income tax rates – Reduced tax rate for SMEs, 2000 and 2014
(as at July 1 of each year, as a percentage)

	2000		**2014**	
	Rate	**Threshold ($)**	**Rate**	**Threshold ($)**
Manitoba	7.0	200 000	0.0	425 000
British Columbia	4.8	300 000	2.5	500 000
Prince Edward Island	7.5	200 000	4.5	500 000
Saskatchewan	8.0	200 000	2.0	500 000
Alberta	6.0	200 000	3.0	500 000
Nova Scotia	5.0	200 000	3.0	350 000
New Brunswick	4.5	300 000	4.5	500 000
Newfoundland and Labrador	5.0	200 000	3.0	500 000
Ontario	7.0	280 000	4.5	500 000
Québec	**8.9**	**—**	**8.0**	500 000
Québec – Manufacturing SME[1]	8.9	—	6.0	500 000
Federal	13.12	200 000	11.0	500 000
Canadian average[2]	**6.1**	**231 111**	**3.0**	**475 000**

(1) The rate for manufacturing SMEs will be reduced to 4% on April 1, 2015.
(2) Canadian average without Québec and the federal government.

1.2 A comparison of fiscal levies on total payroll

In Canada, only a minority of provinces levy a payroll tax like Québec does with the employer contribution to the Health Services Fund. The provinces that levy such a tax usually provide for an exemption threshold.

Québec imposes the highest payroll tax rate and, unlike the other provinces, does not allow a basic exemption. Accordingly, the payroll tax applies as of the first dollar of remuneration paid by businesses.

It should be specified that exemptions have a direct influence on the effective rates borne by businesses. The differences between real rates are actually much higher than those between statutory rates alone.

TABLE 31

Payroll tax rates – 2014
(as a percentage, unless otherwise indicated)

	Rate	Exemption
Québec	**2.7 to 4.26**	**—**
Ontario[1]	1.95	$450 000
Manitoba[2]	2.15	$1.25 million
Newfoundland and Labrador	2.0	$1.2 million
British Columbia	—	—
Prince Edward Island	—	—
Alberta	—	—
Saskatchewan	—	—
New Brunswick	—	—
Nova Scotia	—	—

(1) The exemption does not apply to private sector employers whose annual total payroll exceeds $5 million.
(2) When annual total remuneration is between $1.25 million and $2.5 million, the rate is 4.3% on the amount in excess of $1.25 million. No exemption is granted if annual total remuneration exceeds $2.5 million.

❑ The addition of social security contributions

Social security contributions are in addition to the payroll tax. All told, they represent 15.5% of the total payroll in Québec, compared with 10.1% on average in the rest of Canada.

The Québec Pension Plan (QPP) and the Canada Pension Plan (CPP) are public plans that currently impose contribution rates of 5.175% and 4.95%, respectively. The Québec Parental Insurance Plan and the Commission des normes du travail are unique to Québec.

TABLE 32

Payroll tax and social security contributions applicable to employers – Statutory rates in the Canadian provinces – 2014
(percentage rate)

	B.C.	Alb.	Sask.	Man.	Ont.	Qc	N.B.	N.S.	P.E.I.	N.L.
Payroll tax[1]	**–**	**–**	**–**	**2.15**	**1.95**	**4.26**	**–**	**–**	**–**	**2.0**
Social security contributions (employers)										
CPP / QPP	4.95	4.95	4.95	4.95	4.95	5.175	4.95	4.95	4.95	4.95
Commission de la santé et de la sécurité du travail[2]	1.70	1.03	1.51	1.50	2.46	2.02	1.21	2.65	1.90	2.45
Employment insurance	2.63	2.63	2.63	2.63	2.63	2.142	2.63	2.63	2.63	2.63
Québec Parental Insurance Plan	—	—	—	—	—	0.782	—	—	—	—
Commission des normes du travail	—	—	—	—	—	0.08	—	—	—	—
WSDRF[3]	—	—	—	—	—	1.00	—	—	—	—
Subtotal – Social security contributions	**9.28**	**8.61**	**9.09**	**9.08**	**10.04**	**11.20**	**8.79**	**10.23**	**9.48**	**10.03**
TOTAL	**9.28**	**8.61**	**9.09**	**11.23**	**11.99**	**15.46**	**8.79**	**10.23**	**9.48**	**12.03**
Québec = 100	60	56	59	73	78	100	57	66	61	78

(1) Rate for a payroll of more than $5 million. Manitoba grants an exemption of $1.25 million to businesses with a payroll of $2.5 million or less and Ontario, an exemption of $450 000 to businesses with a payroll of $5 million or less. Newfoundland and Labrador grants a basic exemption of $1.2 million.
(2) Average rate for 2014.
(3) WSDRD: Workforce Skills Development and Recognition Fund.

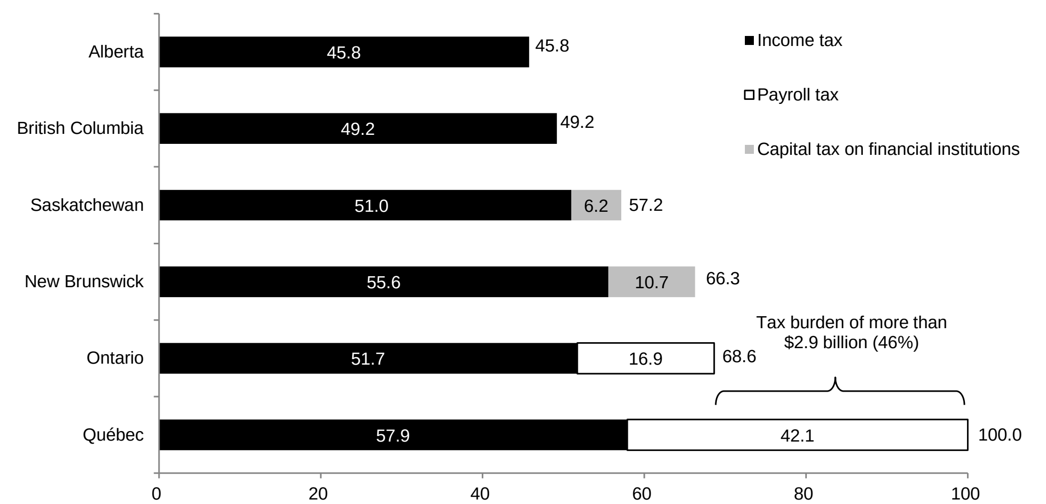
1.3 Differences in the tax burden

Differences in the tax burden make it possible to represent the overall impact of taxation on businesses as a whole.

When the taxation systems of the other provinces are applied to Québec businesses, it can be noted that the Québec taxation system imposes a tax burden on businesses that is nearly double that of the other provinces. This difference represents a tax burden that is $2.9 billion higher than the burden that would be imposed if Ontario's taxation system were applied to Québec. These differences stem essentially from the payroll tax.

CHART 14

Difference in the tax burden – Total for businesses, 2014
(Québec = 100)



❑ A comparison of the change in the tax burden

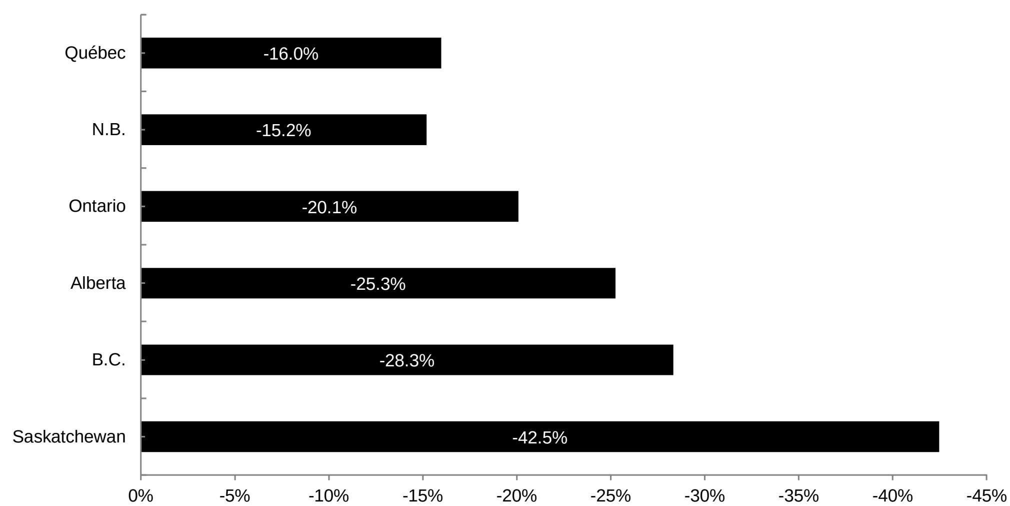
Since 2003, corporations operating in Québec have benefited from smaller reductions in their tax burden than corporations operating in most of the other Canadian provinces.

— This is explained mainly by the fact that all of the other provinces have abolished their capital tax. Québec alone has offset this loss in revenue by raising its corporate income tax rate from 8.9% to 11.9%.

Accordingly, the tax burden imposed by the Québec taxation system decreased by 16% between 2003 and 2014. In comparison, the tax burden fell by 20.1% in Ontario, 25.3% in Alberta, 28.3% in British Columbia and 42.5% in Saskatchewan.

CHART 15

Difference in the tax burden – Comparison of efforts to reduce the tax burden between 2003 and 2014
(as a percentage)



2. IMPACT OF THE TAXATION SYSTEM ON THE DECISION TO INVEST IN QUÉBEC

The marginal effective tax rate (METR) for corporations is calculated to assess the portion of the return on an investment that is allocated to the payment of taxes. The lower the METR, the higher the after-tax return on an investment will be.[14]

METR estimates take into account the entire range of taxes:

— corporate income tax;

— the capital tax;

— sales taxes on certain capital goods;

— capital cost allowance rules and the difference between the capital cost allowance and economic depreciation;

— the deductibility of certain taxes and financing charges (interest);

— accounting methods for inventories.

[14] Kenneth J. McKenzie, Mario Mansour and Arianne Brulé, "The Calculation of Marginal Effective Tax Rates," Working Paper 97-15 (Technical Committee on Business Taxation), Department of Finance, Ottawa, Ontario, May 1998.

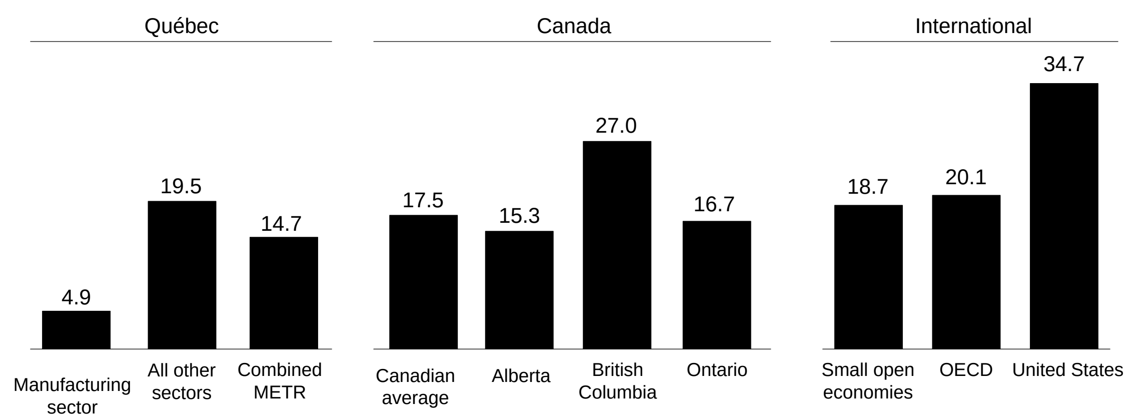
In 2014, Québec businesses benefit from a marginal effective tax rate of 14.7%, i.e. an METR below that observed in Ontario, Alberta and, on average, in Canada. Québec's METR compares favourably with the rate observed in the United States and that observed, on average, in OECD countries.

This low METR is explained mainly by the investment tax credit for manufacturing and processing equipment and the accelerated capital cost allowance for manufacturing and processing equipment, which reduces the METR to 4.9% for the manufacturing sector.

— In contrast, other sectors of the economy have seen their METR reach 19.5%.

CHART 16

Marginal effective tax rates (METR) on capital – 2014
(as a percentage)



Location and operating costs in Québec

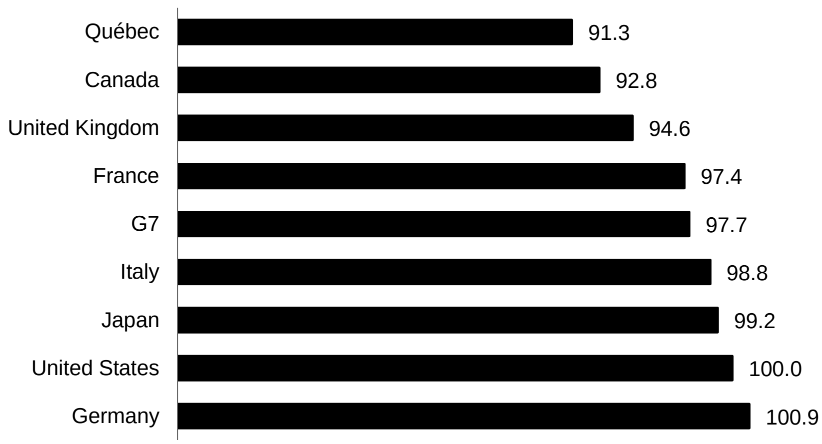
The cost of locating and operating a business in Québec

The accounting firm KPMG compares location and operating costs at the international level for 19 types of commercial activities in over 100 cities in 10 countries.

− The main cost components considered are: taxation, labour, rent for facilities, transportation and public utilities (electricity, gas).

In 2014, location costs in Québec including taxation are 8.7% lower than in the United States and slightly below those observed, on average, in Canada.

Business location and operating costs – KPMG, 2014
(Index, United States = 100)



Sources: KPMG's *Competitive Alternatives* model and Ministère des Finances du Québec.

Limitations of the KPMG model

Québec's advantageous situation is largely attributable to its limited labour costs (excluding payroll taxes and charges), which are 19% lower than in the United States and 7% below the Canadian average.

− In the KPMG model, labour costs represent nearly 30% of the total, i.e. 56% of the costs considered to be location-sensitive.

Impact of the taxation system on location costs

Québec's total fiscal costs represent, on average, 6% of location and operating costs. Without tax incentives, such as tax credits, the share of total fiscal costs in location and operating costs would increase by 1.5%.

CONCLUSION

This document provides key information on fiscal levies collected from corporations under the Québec taxation system and measures that reduce these levies.

It also examines the other fiscal levies collected by the Québec government from corporations, i.e. social security contributions, taxes, royalties and fees.

In a global economy, the tax regime applicable to corporations is a factor of competitiveness. This document provides a range of data for evaluating the Québec taxation system from such a perspective.

❑ The questions

The mandate that the government has assigned to the Québec Taxation Review Committee pinpoints the key questions that the impending reform of Québec's taxation system raises. A number of the questions directly concern the corporate taxation system.

— How can we enhance the taxation system's efficiency, fairness and competitiveness and ensure funding for public services?

— Can we define a new balance between different modes of taxation?

— How can we revise the business taxation system to better meet the challenges of productivity and economic growth?

In the mandate that it defined, the government also asked the commission to identify reductions to be made in tax expenditures in order to attain the targets set in the *2014-2015 Budget*, based on an examination of their relevance and efficacy.

All of these questions are now on the table. Quebecers are invited to submit to the commission their analyses, express their opinions and present their recommendations within the framework of the public consultation organized in the fall.

APPENDIX 1: STATISTICAL DATA PERTAINING TO TAX ASSISTANCE FOR BUSINESSES

❑ A comprehensive overview

TABLE 33

Cost of tax assistance for businesses – 2008 to 2013
(millions of dollars)

	2008	2009	2010	2011	2012	2013
Research and development	**728**	**700**	**675**	**709**	**738**	**792**
Scientific research and experimental development:	728	700	675	709	738	792
– salaries of researchers	691	663	628	660	686	739
– university research	6	6	6	6	7	7
– other	31	31	41	43	45	46
Income tax holiday for a new corporation dedicated to the commercialization of intellectual property	—	f	f	f	f	f
New economy	**310**	**429**	**468**	**474**	**476**	**473**
Development of e-business	51	215	243	288	288	293
Production of multimedia titles	76	83	97	105	125	135
Design	12	13	15	16	16	16
Major employment-generating projects	18	13	13	13	13	12
Integration of information technologies in manufacturing SMEs	—	—	—	—	—	f
Designated sites:						
– CDTI	f	f	f	f	f	f
– Innovative projects – CDTI (tax holiday)	f	—	—	—	—	—
– Cité du multimédia	33	20	20	10	10	5
– Centre national des nouvelles technologies de Québec	15	12	13	9	6	4
– New economy centres	46	40	40	24	16	8
– E-Commerce Place	56	33	27	9	2	f
– Biotechnology development centres	f	f	f	f	f	f
– E-business activities	3	—	—	—	—	—
– Innovation centres	f	f	—	—	—	—
Investment	**394**	**504**	**577**	**563**	**480**	**409**
Investments relating to manufacturing and processing equipment:						
– central regions	23	43	61	78	81	88
– resource regions	7	23	37	48	49	54
Investments relating to buildings used in the course of manufacturing or processing activities	—	—	—	—	—	f
Large investment projects – THI (tax holiday)	—	—	—	—	f	f
Major investment projects (tax holiday)	69	53	44	33	52	53
Diversification of markets of Québec manufacturing companies	—	—	—	—	f	f

TABLE 33

Cost of tax assistance for businesses – 2008 to 2013 (continued)
(millions of dollars)

	2008	2009	2010	2011	2012	2013
Manpower training in the manufacturing, forest and mining sectors	f	f	f	f	f	f
Property tax refund for forest producers	6	6	5	6	7	7
Construction of public access roads and bridges in forest areas	138	163	187	145	110	33
Accelerated depreciation:						
– pipelines	—	—	f	f	2	6
– manufacturing and processing equipment	26	57	62	50	35	22
– computers and eligible software	—	9	30	17	f	f
Additional deduction of 85% for certain trucks and tractors fuelled with liquefied natural gas	—	—	f	3	5	5
Rate of 2% for life and health insurance premiums	103	107	112	117	123	129
Montréal Foreign Trade Zone at Mirabel:						
– salaries	f	f	f	f	f	f
– eligible customs brokerage contract	f	f	f	f	f	f
– acquisition or lease of eligible equipment	f	f	f	f	f	f
– tax holiday	4	20	23	51	f	f
Production of ethanol in Québec	f	4	f	f	f	f
Production of cellulosic ethanol in Québec	—	—	—	f	f	f
Acquisition of pig manure treatment facilities	f	f	f	f	f	—
Operator of an international financial centre:						
– tax credit	—	—	f	5	7	10
– tax holiday	14	13	11	10	9	2
New financial services corporation	—	—	—	—	f	f
Hiring of employees by a new financial services corporation	—	—	—	—	f	f
Hiring of employees specializing in financial derivatives	f	f	f	f	f	—
Eligible corporations under the support for the development of stock exchanges and securities clearing-house corporations in Montréal (tax holiday)	4	6	5	f	—	—
Culture	**125**	**154**	**195**	**205**	**203**	**205**
Québec film and television production	94	118	122	123	124	125
Film production services	13	14	50	58	55	55
Film dubbing	2	3	3	3	3	4
Production of sound recordings	f	f	f	f	f	f
Production of shows	8	11	13	13	13	13
Production of multimedia environments or events	—	—	—	—	f	f
Book publishing	8	8	7	8	8	8

TABLE 33

Cost of tax assistance for businesses – 2008 to 2013 (continued)
(millions of dollars)

	2008	2009	2010	2011	2012	2013
Regions	**314**	**274**	**264**	**222**	**185**	**181**
Shipbuilding or conversion	13	19	7	4	4	7
Vallée de l'aluminium	8	7	6	6	6	7
Gaspésie and certain maritime regions of Québec	14	12	12	15	15	16
Processing activities in the resource regions	87	88	75	46	30	21
Tax credit relating to resources	146	103	115	140	130	130
Manufacturing SMEs in remote resource regions (tax holiday)	46	45	49	11	—	—
Other	**182**	**112**	**105**	**90**	**95**	**117**
Technology adaptation services	f	f	f	f	f	f
Modernization of the tourism accommodation offering	—	—	—	—	3	8
Damage insurance firms	—	—	—	—	—	12
Costs of issuing shares as part of an initial public offering under the Stock Savings Plan II	—	—	—	—	f	f
On-the-job training periods	29	30	34	38	38	39
Francization in the workplace	f	f	f	f	f	—
Taxi business	f	f	f	f	f	f
New corporations (tax holiday)	13	f	f	—	—	—
Non-taxation of certain tax credits	48	52	50	52	54	58
Exemption for cooperatives	8	4	3	f	—	—
Exemption for corporations operating in the agriculture or fisheries sector	17	13	8	f	—	—
Deduction of one-third of the paid-up capital of mining corporations	8	8	5	f	—	—
Deduction for the acquisition or conversion of ships	f	f	f	f	—	—
Capital tax credit regarding certain investments	59	5	5	f	—	—
Business capitalization	**208**	**226**	**260**	**274**	**291**	**285**
Labour funds	105	120	130	139	157	155
Capital régional et coopératif Desjardins	69	74	74	74	75	75
Stock Savings Plan II	f	3	4	3	4	4
Flow-through shares	27	21	43	49	44	40
Cooperative Investment Plan	7	8	9	9	11	11
TAX CREDITS AND OTHER MEASURES	**2 053**	**2 173**	**2 284**	**2 263**	**2 177**	**2 177**
Tax credits	***1 634***	***1 781***	***1 877***	***1 919***	***1 897***	***1 902***
Tax holidays	***150***	***137***	***132***	***105***	***61***	***55***
Other incentive measures	***269***	***255***	***275***	***239***	***219***	***220***
CAPITALIZATION MEASURES	**208**	**226**	**260**	**274**	**291**	**285**
TOTAL TAX ASSISTANCE FOR BUSINESSES	**2 261**	**2 399**	**2 544**	**2 537**	**2 468**	**2 462**

TABLE 33

Cost of tax assistance for businesses – 2008 to 2013
(millions of dollars)

	2008	2009	2010	2011	2012	2013

f: The fiscal cost is under $2 million.
Source: Ministère des Finances du Québec. *Dépenses fiscales – Édition 2013*, March 2014.

TABLE 34

Number of businesses that receive tax credits and tax holidays – 2008 to 2011
(units)

	2008	2009	2010	2011
Research and development				
Scientific research and experimental development:				
– salaries of researchers	9 067	8 906	8 489	7 844
– university research	73	79	90	92
– other	175	155	144	151
Income tax holiday for a new corporation dedicated to the commercialization of intellectual property	—	c.d.	c.d.	c.d.
New economy				
Development of e-business	157	275	320	355
Production of multimedia titles	69	72	78	86
Design	331	350	381	387
Major employment-generating projects	c.d.	c.d.	c.d.	c.d.
Integration of information technologies in manufacturing SMEs	—	—	—	—
Designated sites:				
– CDTI	c.d.	c.d.	c.d.	c.d.
– Innovative projects – CDTI (tax holiday)	c.d.	—	—	—
– Cité du multimédia	45	32	32	18
– Centre national des nouvelles technologies de Québec	57	41	41	25
– New economy centres	177	150	138	100
– E-Commerce Place	c.d.	c.d.	c.d.	c.d.
– Biotechnology development centres	c.d.	c.d.	c.d.	c.d.
– E-business activities	c.d.	—	—	—
– Innovation centres	c.d.	c.d.	—	—
Investment				
Investments relating to manufacturing and processing equipment:				
– central regions	1 598	2 566	2 693	3 075
– resource regions	238	534	773	1 089
Investments relating to buildings used in the course of manufacturing or processing activities	—	—	—	—
Large investment projects – THI (tax holiday)	—	—	—	—
Major investment projects (tax holiday)	12	c.d.	c.d.	c.d.
Diversification of markets of Québec manufacturing companies	—	—	—	—
Manpower training in the manufacturing, forest and mining sectors	54	93	92	95

TABLE 34

Number of businesses that receive tax credits and tax holidays – 2008 to 2011 (continued)
(units)

	2008	2009	2010	2011
Property tax refund for forest producers	707	752	775	788
Construction of public access roads and bridges in forest areas	65	62	65	64
Montréal Foreign Trade Zone at Mirabel:				
– salaries	c.d.	c.d.	c.d.	c.d.
– eligible customs brokerage contract	c.d.	c.d.	c.d.	c.d.
– acquisition or lease of eligible equipment	c.d.	c.d.	c.d.	c.d.
– tax holiday	c.d.	c.d.	c.d.	c.d.
Production of ethanol in Québec	c.d.	c.d.	c.d.	c.d.
Production of cellulosic ethanol in Québec	—	—	—	c.d.
Acquisition of pig manure treatment facilities	c.d.	c.d.	c.d.	c.d.
Operator of an international financial centre:				
– tax credit	—	—	c.d.	19
– tax holiday	61	68	69	57
New financial services corporation	—	—	—	—
Hiring of employees by a new financial services corporation	—	—	—	—
Hiring of employees specializing in financial derivatives	c.d.	c.d.	c.d.	c.d.
Eligible corporations under the support for the development of stock exchanges and securities clearing-house corporations in Montréal (tax holiday)	c.d.	c.d.	c.d.	c.d.
Culture				
Québec film and television production	448	478	476	490
Film production services	32	28	40	44
Film dubbing	11	14	14	c.d.
Production of sound recordings	29	32	39	41
Production of shows	78	102	110	118
Production of multimedia environments or events	—	—	—	—
Book publishing	82	86	81	81
Regions				
Shipbuilding or conversion	c.d.	c.d.	c.d.	c.d.
Vallée de l'aluminium	55	58	57	51
Gaspésie and certain maritime regions of Québec	52	54	67	79
Processing activities in the resource regions	634	598	554	503
Tax credit relating to resources	242	219	198	243
Manufacturing SMEs in remote resource regions (tax holiday)	1 005	1 004	970	569

TABLE 34

Number of businesses that receive tax credits and tax holidays – 2008 to 2011 (continued)
(units)

	2008	2009	2010	2011
Other				
Technology adaptation services	133	131	109	141
Modernization of the tourism accommodation offering	—	—	—	—
Damage insurance firms	—	—	—	—
Costs of issuing shares as part of an initial public offering under the Stock Savings Plan II	—	—	—	—
On-the-job training periods	4 340	4 659	4 796	4 895
Francization in the workplace	c.d.	c.d.	c.d.	c.d.
Taxi business	206	198	191	193
New corporations (tax holiday)	2 768	822	59	—
TOTAL – TAX CREDITS AND TAX HOLIDAYS[1]	**18 947**	**17 920**	**17 439**	**17 192**

c.d.: Confidential data. To protect the confidentiality of tax returns, estimates pertaining to fewer than 10 corporations are not disclosed.
(1) The total number of recipients takes into account the fact that certain businesses benefit from more than one measure. Accordingly, the total does not correspond to the sum of the number of recipients by measure.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 35

Breakdown of tax credits and tax holidays by asset bracket – 2011

	Recipient businesses		Tax expenditure	
Asset bracket	**Number**	**Share**	**Amount (millions of $)**	**Share**
Less than $5 million	13 570	78.9%	442	21.8%
$5 million to $25 million	2 469	14.4%	436	21.5%
$25 million to $50 million	436	2.5%	116	5.7%
$50 million to $100 million	249	1.4%	61	3.0%
More than $100 million	468	2.7%	969	47.9%
TOTAL	**17 192**	**100.0%**	**2 024**	**100.0 %**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 36

Regionalization of tax assistance for businesses – 2011

Administrative regions	Tax expenditure (millions of $)	Share	Comparison indicators (2011)			
			Population	Share	GDP[1] (millions of $)	Share
Resource regions						
Bas-Saint-Laurent	58	2.3%	201 184	2.5%	6 324	2.0%
Saguenay–Lac-Saint-Jean	89	3.5%	277 249	3.5%	10 294	3.2%
Mauricie	52	2.0%	265 557	3.3%	8 220	2.5%
Abitibi-Témiscamingue	100	3.9%	146 683	1.8%	6 701	2.1%
Côte-Nord	73	2.9%	95 688	1.2%	6 903	2.1%
Nord-du-Québec	133	5.3%	43 023	0.5%	2 967	0.9%
Gaspésie–Îles-de-la-Madeleine	24	0.9%	94 473	1.2%	2 696	0.8%
Subtotal	**530**	**20.9%**	**1 123 857**	**14.0%**	**44 105**	**13.7%**
Central regions						
Estrie	52	2.0%	313 582	3.9%	10 120	3.1%
Outaouais	41	1.6%	373 905	4.7%	11 661	3.6%
Chaudière-Appalaches	87	3.4%	414 427	5.2%	13 743	4.3%
Lanaudière	25	1.0%	476 937	6.0%	11 540	3.6%
Laurentides	106	4.2%	566 683	7.1%	17 278	5.3%
Centre-du-Québec	35	1.4%	236 184	2.9%	8 348	2.6%
Subtotal	**347**	**13.7%**	**2 381 718**	**29.7%**	**72 689**	**22.5%**
Metropolitan areas						
Capitale-Nationale	255	10.1%	710 861	8.9%	32 101	9.9%
Montréal	1 106	43.6%	1 915 617	23.9%	112 014	34.7%
Laval	64	2.5%	406 098	5.1%	13 062	4.0%
Montérégie	235	9.3%	1 469 505	18.4%	49 012	15.2%
Subtotal	**1 661**	**65.5%**	**4 502 081**	**56.2%**	**206 189**	**63.8%**
TOTAL	**2 537**	**100.0%**	**8 007 656**	**100.0%**	**322 983**	**100.0%**

(1) GDP at basic prices.
Note: Since figures are rounded, they may not add up to the total shown.
Sources: Institut de la statistique du Québec and Ministère des Finances du Québec.

❑ Overview of the main tax assistance measures for businesses[15]

TABLE 37

Key statistics pertaining to R&D tax credits – 2008 to 2011

Tax credits	2008	2009	2010	2011
Salary				
– Number of businesses	9 067	8 906	8 489	7 844
– Tax expenditure (millions of $)	691	663	628	660
University research				
– Number of businesses	73	79	90	92
– Tax expenditure (millions of $)	6	6	6	6
Private partnership				
– Number of businesses	44	46	54	53
– Tax expenditure (millions of $)	21	21	31	32
Research consortium				
– Number of businesses	132	111	90	99
– Tax expenditure (millions of $)	10	10	10	11
TOTAL				
– **Number of businesses[1]**	**9 215**	**9 030**	**8 591**	**7 930**
– **Tax expenditure (millions of $)**	**728**	**700**	**675**	**709**

(1) The total number of recipients takes into account the fact that certain businesses benefit from more than one tax credit. Accordingly, the total does not correspond to the sum of the number of recipients by tax credit.
Sources: Revenu Québec and Ministère des Finances du Québec.

15 The presentation and content of the tables may differ from one measure to the other depending on the nature of the tax credit, the application procedures and the availability of data from the body responsible for administering the measure.

TABLE 38

Breakdown of R&D tax credits by size of business – 2011

	Recipient businesses		Tax expenditure	
Asset brackets	**Number**	**Share**	**Amount (millions of $)**	**Share**
SME[1]				
– Less than $5 million	5 947	75.0%	258	36.4%
– $5 million to $25 million	1 262	15.9%	139	19.6%
– $25 million to $50 million	274	3.5%	47	6.6%
Subtotal	**7 483**	**94.4%**	**444**	**62.6%**
Big enterprises[1]				
– $50 million to $75 million	135	1.7%	21	3.0%
– More than $75 million	312	3.9%	244	34.4%
Subtotal	**447**	**5.6%**	**265**	**37.4%**
TOTAL	**7 930**	**100.0%**	**709**	**100.0%**

(1) The notions of SME and big enterprise refer to the asset brackets used for the application of R&D tax credits.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 39

Breakdown of R&D tax credits by activity sector – 2011

Activity sectors		Recipient businesses – Number	Recipient businesses – Share	Tax expenditure – Amount (millions of $)	Tax expenditure – Share	Eligible R&D salary expenditures (millions of $)
Primary (production)		**492**	**6.2%**	**17.4**	**2.4%**	**60.3**
Secondary						
– Aircraft and parts		38	0.5%	88.3	12.5%	498.3
– Drugs		71	0.9%	30.9	4.4%	159.9
– Electronic parts and equipment		105	1.3%	30.0	4.2%	136.0
– Metal products		421	5.3%	20.0	2.8%	61.7
– Pulp and paper	Manufacturing sector	299	3.8%	16.3	2.3%	51.4
– Other transportation equipment		84	1.1%	12.1	1.7%	45.2
– Textiles		254	3.2%	10.8	1.5%	29.6
– Wood and furniture		301	3.8%	8.8	1.2%	28.9
– Food and beverages		223	2.8%	8.2	1.2%	25.7
– Other manufacturing industries[1]		1 249	15.7%	100.1	14.1%	267.8
– Construction		318	4.0%	10.4	1.5%	28.6
Subtotal		**3 363**	**42.4%**	**335.9**	**47.4%**	**1 333.1**
Tertiary (services)						
– Other business services		1 099	13.9%	110.4	15.6%	339.5
– Computer services		1 001	12.6%	103.7	14.6%	304.4
– Wholesale and retail trade		1 237	15.6%	74.0	10.4%	317.5
– Communications and public services		92	1.2%	29.3	4.1%	145.2
– Government services, health and education		114	1.4%	13.8	1.9%	40.2
– Finance and insurance		147	1.9%	9.1	1.3%	33.6
– Other services[2]		385	4.9%	15.4	2.2%	47.7
Subtotal		**4 075**	**51.4%**	**355.7**	**50.2%**	**1 228.1**
TOTAL		**7 930**	**100.0%**	**709.0**	**100.0%**	**2 621.5**

(1) Includes, among others, the following activity sectors: rubber and plastics, ferrous and non-ferrous metals, machinery, other electrical devices, telecommunications equipment, office machinery, non-metallic mineral products, oil products, other chemical products, and scientific and professional equipment.

(2) Includes, among others, the following activity sectors: transportation and warehousing, consulting. and accommodation and food services.

Note: Since figures are rounded, they may not add up to the total shown.

Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 40

Regional breakdown of R&D tax credits – 2011

Administrative regions	Number of recipient businesses	Tax expenditure (millions of $)
Bas-Saint-Laurent	119	4.1
Saguenay–Lac-Saint-Jean	167	11.9
Capitale-Nationale	568	32.9
Mauricie	141	12.7
Estrie	278	14.3
Montréal	2 899	419.1
Outaouais	104	6.9
Abitibi-Témiscamingue	78	9.6
Côte-Nord et Nord-du-Québec	25	2.2
Gaspésie–Îles-de-la-Madeleine	13	0.4
Chaudière-Appalaches	401	12.9
Laval	448	34.1
Lanaudière	397	7.5
Laurentides	432	15.4
Montérégie	1 502	114.4
Centre-du-Québec	358	10.6
TOTAL	**7 930**	**709.0**

Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 41

Breakdown of R&D tax credits according to the level of tax assistance claimed – 2011

	Recipient businesses		Tax expenditure	
Levels of tax assistance	Number	Share	Amount (millions of $)	Share
$1 to $10 000	1 828	23.1%	11.0	1.5%
$10 001 to $25 000	2 211	27.9%	40.0	5.6%
$25 001 to $50 000	1 696	21.4%	64.5	9.1%
$50 001 to $75 000	709	8.9%	46.1	6.5%
$75 001 to $100 000	373	4.7%	34.3	4.8%
$100 001 to $250 000	741	9.3%	121.8	17.2%
$250 001 to $500 000	205	2.6%	75.7	10.7%
$500 001 to $1 000 000	101	1.3%	72.7	10.3%
More than $1 000 000	66	0.8%	242.8	34.2%
TOTAL	**7 930**	**100.0 %**	**709.0**	**100.0 %**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 42

Key statistics pertaining to the tax credit for the development of e-business, by size of business – 2008 to 2011

	2008	2009	2010	2011
Number of recipient businesses				
– Fewer than 200 employees	c.d.	256	301	328
– 200 or more employees	c.d.	19	19	27
Total	**157**	**275**	**320**	**355**
Tax expenditure (millions of $)				
– Fewer than 200 employees	28.6	79.7	99.0	113.0
– 200 or more employees	22.4	135.3	144.0	175.0
Total	**51.0**	**215.0**	**243.0**	**288.0**
Total number of jobs[1]				
– Fewer than 200 employees	7 200	11 299	13 101	15 291
– 200 or more employees	4 775	15 161	18 252	25 965
Total	**11 975**	**26 460**	**31 353**	**41 256**
Number of eligible jobs				
– Fewer than 200 employees	3 932	5 917	7 268	8 400
– 200 or more employees	3 033	10 077	10 488	13 089
Total	**6 965**	**15 994**	**17 756**	**21 489**
Eligible payroll (millions of $)[2]				
– Fewer than 200 employees	127.7	323.1	387.1	474.4
– 200 or more employees	155.1	688.1	743.0	902.2
TOTAL	**282.9**	**1 011.3**	**1 130.1**	**1 376.7**

c.d.: Confidential data. To protect the confidentiality of tax returns, estimates pertaining to fewer than 10 corporations are not disclosed.
(1) Data as disclosed by businesses to Investissement Québec. Data not available regarding the total payroll of corporations.
(2) The data presented pertain to the total salaries of eligible jobs. No ceiling has been applied to the data. For example, in the case of an eligible employee with an income of $100 000, the total amount of the employee's income has been recognized in the data.
Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec, Investissement Québec and Ministère des Finances du Québec.

TABLE 43

Regional breakdown of the tax credit for the development of e-business – 2011

Administrative regions	Number of recipient businesses	Tax expenditure (millions of $)	Number of eligible jobs
Montréal	199	154.6	11 536
Capitale-Nationale	55	100.8	7 524
Montérégie	28	8.1	605
Laval	19	6.3	467
Outaouais	12	6.0	444
Other regions	42	12.2	913
TOTAL	**355**	**288.0**	**21 489**

Sources: Revenu Québec, Investissement Québec and Ministère des Finances du Québec.

TABLE 44

Breakdown of the tax credit for the development of e-business according to the level of tax assistance claimed – 2011

	Recipient businesses		Tax expenditure	
Levels of tax assistance	Number	Share	Amount (millions of $)	Share
$1 to $100 000	67	18.9%	4.5	1.5%
$100 001 to $200 000	102	28.7%	14.8	5.1%
$200 001 to $300 000	68	19.2%	16.9	5.9%
$300 001 to $400 000	35	9.9%	12.0	4.2%
$400 001 to $500 000	16	4.5%	7.1	2.4%
$500 001 to $1 000 000	34	9.6%	24.1	8.4%
$1 000 001 to $3 000 000	22	6.2%	37.8	13.1%
More than $3 000 000	11	3.1%	170.8	59.3%
TOTAL	**355**	**100.0%**	**288.0**	**100.0%**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 45

Breakdown of the tax credit for Québec film and television production according to the level of tax assistance claimed – 2011

Levels of tax assistance	2008	2009	2010	2011
Number of recipient businesses				
– Less than $100 000	264	278	276	291
– $100 000 to $1 000 000	167	170	173	170
– More than $1 000 000	17	30	27	29
Total	**448**	**478**	**476**	**490**
Tax expenditure (millions of $)				
– Less than $100 000	9.5	10.6	10.0	10.3
– $100 000 to $1 000 000	56.6	56.3	63.2	63.5
– More than $1 000 000	27.9	51.0	48.8	49.2
TOTAL	**94.0**	**118.0**	**122.0**	**123.0**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 46

Breakdown of the tax credit for Québec film and television production according to production category – 2011[1]

	Eligible productions		Tax expenditure	
Production categories	**Number**	**Share**	**Amount (millions of $)**	**Share**
Feature-length films	31	6.2%	22.3	18.2%
Short and medium-length films	17	3.4%	0.6	0.5%
Documentaries	209	41.5%	23.7	19.3%
Television productions	237	47.0%	74.0	60.1%
Animation	10	2.0%	2.4	1.9%
TOTAL	**504**	**100.0%**	**123.0**	**100.0%**

(1) The number of eligible productions corresponds to that for fiscal year 2011-2012.
Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec, Société de développement des entreprises culturelles du Québec and Ministère des Finances du Québec.

TABLE 47

Key statistics pertaining to the tax credit for the production of multimedia titles, by size of business – 2008 to 2011

	2008	2009	2010	2011
Number of recipient businesses				
– Fewer than 200 employees	c.d.	62	68	c.d.
– 200 or more employees	c.d.	10	10	c.d.
Total	**69**	**72**	**78**	**86**
Tax expenditure (millions of $)				
– Fewer than 200 employees	10.9	10.1	10.9	16.5
– 200 or more employees	65.1	72.9	86.2	88.5
Total	**76.0**	**83.0**	**97.0**	**105.0**
Eligible payroll (millions of $)[1]				
– Fewer than 200 employees	30.6	30.7	32.4	49.1
– 200 or more employees	179.2	197.0	228.7	245.0
TOTAL	**209.8**	**227.7**	**261.1**	**294.1**

c.d.: Confidential data. To protect the confidentiality of tax returns, estimates pertaining to fewer than 10 corporations are not disclosed.
(1) The compiled payroll does not take into account contracts awarded in Québec by corporations eligible for the tax credit.
Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec, Investissement Québec and Ministère des Finances du Québec.

TABLE 48

Key statistics pertaining to the specialized component[1] of the tax credit for the production of multimedia titles, by size of business – 2008 to 2011

	2008	2009	2010	2011
Number of recipient businesses				
– Fewer than 200 employees	c.d.	c.d.	c.d.	c.d.
– 200 or more employees	c.d.	c.d.	c.d.	c.d.
Total	**18**	**18**	**17**	**17**
Tax expenditure (millions of $)				
– Fewer than 200 employees	5.7	4.5	4.0	9.0
– 200 or more employees	66.8	73.3	84.1	91.0
Total	**72.5**	**77.7**	**88.1**	**100.0**
Number of eligible jobs[2]				
– Fewer than 200 employees	639	744	698	895
– 200 or more employees	5 711	5 400	5 397	5 944
Total	**6 350**	**6 144**	**6 095**	**6 839**
Eligible payroll (millions of $)[2]				
– Fewer than 200 employees	16.0	13.5	12.1	25.1
– 200 or more employees	179.2	194.1	220.9	239.7
TOTAL	**195.2**	**207.6**	**233.0**	**264.9**

c.d.: Confidential data. To protect the confidentiality of tax returns, estimates pertaining to fewer than 10 corporations are not disclosed.
(1) The information presented pertains only to the specialized component, which accounts for over 90% of the tax credit claimed for each year. Corporations that devote 75% of their activities to producing eligible titles are eligible for the specialized component.
(2) Compiled eligible jobs and payroll do not take into account contracts awarded in Québec by specialized corporations eligible for the tax credit.
Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec, Investissement Québec and Ministère des Finances du Québec.

TABLE 49

Breakdown of the tax credit relating to resources by asset bracket – 2008 to 2011

Asset brackets	2008	2009	2010	2011
Number of recipient businesses				
– Less than $5 million	103	90	80	98
– $5 million to $25 million	88	78	69	85
– $25 million to $50 million	17	17	13	13
– $50 million to $100 million	13	16	13	16
– More than $100 million	21	18	23	31
Total	**242**	**219**	**198**	**243**
Tax expenditure (millions of $)				
– Less than $5 million	8.9	8.7	7.0	7.6
– $5 million to $25 million	42.2	24.1	18.9	37.1
– $25 million to $50 million	20.5	8.0	14.5	9.8
– $50 million to $100 million	26.5	26.2	23.8	34.7
– More than $100 million	47.8	35.9	50.8	50.7
TOTAL	**146.0**	**103.0**	**115.0**	**140.0**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 50

Breakdown of the investment tax credit for manufacturing and processing equipment by asset bracket – 2008 to 2011

Asset brackets	2008	2009	2010	2011
Number of recipient businesses				
– Less than $5 million	1 056	2 002	2 306	2 828
– $5 million to $25 million	502	778	816	969
– $25 million to $50 million	129	140	166	180
– $50 million to $100 million	63	75	79	83
– More than $100 million	86	105	99	104
Total	**1 836**	**3 100**	**3 466**	**4 164**
Tax expenditure (millions of $)				
– Less than $5 million	6.4	14.4	24.2	27.0
– $5 million to $25 million	6.2	22.7	33.3	42.7
– $25 million to $50 million	3.4	4.6	8.9	13.2
– $50 million to $100 million	5.0	4.9	6.5	8.9
– More than $100 million	9.1	19.4	25.1	34.3
TOTAL	**30.0**	**66.0**	**98.0**	**126.0**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 51

Regional breakdown of the investment tax credit for manufacturing and processing equipment – 2011

Administrative regions	Number of recipient businesses	Tax expenditure (millions of $)
Central regions		
Capitale-Nationale	445	7.4
Estrie	253	4.4
Montréal	616	24.0
Outaouais[1]	24	0.5
Chaudière-Appalaches	443	7.0
Laval	125	3.5
Lanaudière	156	4.2
Laurentides[2]	131	2.6
Montérégie	596	18.1
Centre-du-Québec	286	6.1
Subtotal	**3 075**	**78.0**
Resource regions		
Bas-Saint-Laurent		
– Eastern[3]	87	2.8
– Western[4]	201	3.4
Saguenay–Lac-Saint-Jean	275	7.2
Mauricie	168	3.0
Abitibi-Témiscamingue	146	5.8
Côte-Nord	69	4.3
Nord-du-Québec	17	3.0
Gaspésie–Îles-de-la-Madeleine	112	7.6
Specific RCMs[5]	14	10.9
Subtotal	**1 089**	**48.0**
TOTAL	**4 164**	**126.0**

(1) Excluding the La Vallée-de-la-Gatineau and Pontiac RCMs.
(2) Excluding the Antoine-Labelle RCM.
(3) Including the La Matanie, La Mitis and La Matapédia RCMs.
(4) Including the Rivière-du-Loup, Rimouski-Neigette, Kamouraska, Témiscouata and Les Basques RCMs.
(5) Including the La Vallée-de-la-Gatineau, Pontiac and Antoine-Labelle RCMs.
Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

TABLE 52

Sectoral breakdown of the investment tax credit for manufacturing and processing equipment – 2011

	Recipient businesses		Tax expenditure	
Activity sectors	**Number**	**Share**	**Amount (millions of $)**	**Share**
Primary sector	**160**	**3.8%**	**5.1**	**4.1%**
Secondary sector				
– Manufacturing and processing	2 154	51.7%	91.9	72.9%
– Construction	186	4.5%	3.9	3.1%
Subtotal	**2 340**	**56.2%**	**95.8**	**76.0%**
Tertiary sector				
– Transportation, communications and public services	52	1.2%	1.4	1.1%
– Wholesale and retail trade	660	15.9%	13.3	10.6%
– Financial institutions	—	—	—	—
– Insurance and other financial services	—	—	—	—
– Real property services and other financial intermediaries	115	2.8%	2.2	1.7%
– Business services	118	2.8%	3.0	2.4%
– Individual services	700	16.8%	5.0	4.0%
Subtotal	**1 645**	**39.5%**	**24.9**	**19.8%**
Other sectors	**19**	**0.5%**	**0.1**	**0.1%**
TOTAL	**4 164**	**100.0%**	**126.0**	**100.0%**

Note: Since figures are rounded, they may not add up to the total shown.
Sources: Revenu Québec and Ministère des Finances du Québec.

APPENDIX 2: OWN-SOURCE REVENUE OF THE QUÉBEC GOVERNEMENT

TABLE 53

Own-source revenue of the Québec government by category of fiscal levies –2014-2015

	Amount (millions of $)	Share
Fiscal levies on individuals		
Personal income tax	27 349	35.2%
Contributions to the Health Services Fund	210	0.3%
Healthcare contribution	719	0.9%
Subtotal	**28 278**	**36.4%**
Fiscal levies on corporations		
Corporate income tax	4 738	6.1%
Contributions to the Health Services Fund	4 369	5.6%
Other fiscal levies[1]	1 009	1.3%
Subtotal	**10 116**	**13.0%**
Consumption taxes		
QST[2] and tax on insurance premiums	15 472	19.9%
Fuel	2 330	3.0%
Tobacco products	1 108	1.4%
Alcoholic beverages[3]	598	0.8%
Subtotal	**19 508**	**25.1%**
Other fiscal levies		
School property tax	1 901	2.4%
Duties and licences	2 506	3.2%
Miscellaneous revenue	9 670	12.4%
Government enterprises	5 105	6.6%
Other	706	0.9%
Subtotal	**19 888**	**25.6%**
Total – Own-source revenue	**77 790**	**100.0%**

(1) Includes the tax on public services, the capital tax paid by insurance companies and the temporary contribution of financial institutions.
(2) Excluding the cost of the refundable solidarity tax credit, which stands at roughly $1.7 billion.
(3) Including $100 million in fiscal levies dedicated to the Generations Fund.
Note: Since figures are rounded, they may not add up to the total shown.

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