

## **BUDGET 2013-2014 PRESS RELEASE No. 2**

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#### **A Government that Takes Action by Focusing on Private Investment**

**Québec, November 20, 2012** – “The government is focusing on private investment as a means of accelerating economic growth,” declared the Minister of Finances and the Economy, Nicolas Marceau, in tabling the Québec government’s 2013-2014 budget. “A prosperous economy is without a doubt the best path for making life easier for everyone. The time has come for private investment to take over from public investment. Public investment plays a key role, but Québec taxpayers clearly cannot do more. Efforts to create conditions conducive to private investment must therefore be stepped up. This budget takes initiatives to that end.”

#### **A new tax holiday for large investment projects**

The Minister announced two major measures to maintain and enhance the appeal of Québec’s tax environment for private investment. The first measure is a new tax holiday for large investment projects. The tax holiday for investments, or THI, will apply to businesses with new projects of \$300 million or more that are approved within the next three years. The projects must be in one of the eligible strategic sectors: manufacturing, including mineral and wood processing, value-added distribution centres, and data processing and hosting.

This measure gives businesses a ten-year holiday from corporate income tax and from contributions to the Health Services Fund with respect to their investment projects.

#### **Extension of the tax credit for investments**

The second measure announced by the Minister is the extension of the tax credit for investments, available to all regions, for two years, that is, until December 31, 2017. In addition, the rates of the tax credit will be raised by five percentage points for businesses in certain resource regions.

“As a result of the tax credit, 3 000 businesses in all regions of Québec, including more than 2 500 SMEs, will be able to invest in cutting-edge machinery and equipment, enabling them to boost their productivity and carve out a place for themselves on markets,” the Minister said.

**Creation of the Banque de développement économique du Québec**

The Minister also announced the creation of the Banque de développement économique du Québec to help Québec businesses obtain flexible financial and technical support tailored to their needs.

“The creation of the Banque will improve the government’s economic development efforts. Better coordination will optimize government support, and it will be simpler for businesses to obtain assistance. The Banque will be a driving force for all regions of Québec. Businesses will have easier access to the full range of available services, from assistance to financing solutions,” explained the Minister.

The Banque will manage the regionalized development fund, which will have an annual budget of at least \$500 million for development in all regions.

These recurring amounts will be augmented by the allocation of a total of \$250 million to the two economic diversification funds, intended to support the Mauricie and Centre-du-Québec regions and the Asbestos region.

“I am working with the Minister for Industrial Policy and the Banque de développement économique du Québec, Éline Zakaïb, on the implementation of these projects,” affirmed the Minister.

**Support for free trade with the European Union**

The Minister noted that a revival in exports is necessary in order to sustain economic growth. To facilitate access to foreign markets, the government will actively participate in talks on the free-trade agreement with the European Union. “The agreement will give Québec businesses new opportunities in a market of 500 million people.”

**Industrial strategy for green technology development and transportation**

In noting that the manufacturing sector is a pillar of our economy and a symbol of Québec’s inventiveness, the Minister announced that “to support investment in a strong, modern manufacturing sector, the government will adopt an industrial strategy that will give special attention to SMEs. This policy will build on existing niches of excellence in Québec, and on the development of green transportation and energy, a promising avenue for the future.”

To support the greening of industry, the Minister also announced the creation of a \$200-million fund for the development of clean technology and electric transportation.

**Support for the biopharmaceutical sector**

“Over the years, Québec has introduced conditions favourable to the development of the biopharmaceutical sector. However, in recent years, the business model of the industry has undergone a sea change. Québec government support needs to be adapted to this new context, the objective being, as always, to promote research activities in Québec,” affirmed the Minister.

He noted that the 15-year rule implemented in 1994 was a significant factor in the growth of Québec's biopharmaceutical sector. However, large pharmaceutical companies are changing their ways and outsourcing research, leading to the closure of several research centres and, consequently, a significant decrease in research spending in Québec, not to mention the loss of high-value-added jobs. In this context, the 15-year rule no longer meets its objective of fostering research in Québec. It is therefore being abolished.

To support research activities in Québec, the Minister announced that the research and development tax credits for large biopharmaceutical companies will be raised from 17.5% to 27.5%. The government is also providing matching funding of \$125 million over five years for research partnership projects with pharmaceutical companies in the major areas of Québec's strengths.

"In so doing, we ensure that companies in this sector continue their development and the creation of quality jobs in a leading area of innovation in Québec," affirmed the Minister.

### **A national research and development policy**

Investing in innovation is central to the government's economic vision. The government wants to make Québec one of the most innovative societies in the world—a society that allocates at least 3% of its GDP to research and development. To that end, the Minister of Higher Education, Research, Science and Technology, Pierre Duchesne, will announce a national research and innovation policy in 2013. Its objective, among other things, will be to capitalize on the results of public research for all Quebecers.

To facilitate the shift to this future national policy, the government will set aside \$69 million to enable activities under the Québec Research and Innovation Strategy, which ends in March 2013, to continue in 2013-2014. This funding will continue contributing to the overall funding of research and development in higher education, the value of which is over \$2 billion a year in Québec.

### **Exploitation of our natural resources for the benefit of all Quebecers**

"Our mining potential is immense, and several companies, both Québec and foreign, want to develop it. However, the subsurface belongs to all Quebecers. We will therefore make changes to the regimes that establish the framework for developing these non-renewable resources, so that Quebecers derive the maximum wealth from it, and the environment and communities are protected. We want to bring in these changes in an orderly and responsible manner to ensure the stability of the mining sector. We will consult the industry and the stakeholders concerned about this issue, so that everyone benefits from the changes that will be made," stressed the Minister.

"With the collaboration of the Minister of Natural Resources, Martine Ouellet, we will continue the work in order to propose a regime that optimizes Quebecers' return on these resources."

**Promoting the forest sector**

The Minister also said that exploitation of our natural resources must be a tool of economic development for all regions of Québec. The government therefore intends to promote local processing of natural resources. To that end, it will adopt a wood charter to promote the use of wood in value-added products.

The Minister stressed that the increase in the tax credit for investments will also support the forest sector. To ensure the assistance is available more rapidly, he announced that Investissement Québec and, when it is created, the Banque de développement économique du Québec, will finance 85% of the value of the tax credit in advance.

“I also want to serve notice today that it is my intention to call on the federal government to finally do its part, that government having committed a profound injustice by abandoning the forest industry, its workers and the communities affected by the crisis.”

**Lasting prosperity for all**

“Our economic vision is founded on the conviction that investment is necessary to ensure wealth creation for the Québec nation. In the government’s economic vision, Québec must offer a stimulating business environment favourable to projects that create wealth and jobs, and guaranteeing entrepreneurs predictable government action with no surprises. To accelerate growth, the government must take action to promote private investment and innovation in strategic sectors. The government pledges to maintain a competitive tax system in Québec that promotes private investment. We are laying today the groundwork for sound, long-lasting prosperity for all,” the Minister concluded.

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