Additional Information
on the Budgetary Measures

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Section A

Revenue Measures

1. Measures concerning individuals

1.1 Improvements to the refundable tax credit for child care expenses

For more than 10 years now, the government has made it possible for families to obtain educational childcare services, at a reduced cost, for their children age 5 or under. Over 200 000 reduced-contribution spaces are currently offered throughout Québec.

Under the program offering reduced-contribution spaces, a family pays only $7 a day to send a child to a childcare centre, a day care centre that has concluded a subsidy agreement or a recognized home childcare provider.

Families who pay child care expenses for a child who is not in a reduced-contribution space may claim a refundable tax credit. The main purpose of the credit is to recognize costs borne by parents who require childcare services so that they can go to work, pursue studies or seek employment.

Given the specific nature of child care expenses and the fact that, for some parents, child care expenses might otherwise hinder their chances of integrating or staying in the labour market, the refundable tax credit for child care expenses is calculated by applying, to eligible expenses,[1] a rate determined on the basis of family income.

The refundable tax credit is granted to individuals who claim it in their income tax return.[2] However, to better support families, the Minister of Revenue may, upon request, pay part of the tax credit in advance, in quarterly instalments, to individuals who consider they are entitled to it for a given taxation year.

By funding a reduced-contribution program and granting a refundable tax credit for other child care expenses, the government is respecting the type of childcare used by the parents.

1 Briefly, an individual's eligible child care expenses for a given taxation year generally include all child care expenses incurred and paid by the household for a recognized purpose for that year, up to the annual limit on recognized child care expenses. The limit corresponds to the aggregate of the maximum amount of child care expenses for the year applicable to each eligible child in respect of whom expenses were incurred. The maximum amount is $10 000 if the child has a severe and prolonged impairment in mental or physical functions, $7 000 if the child is under 7 years of age at the end of the year, or would have been had the child then been living, and $4 000 otherwise.

2 However, where an individual and the individual's spouse are both entitled to the tax credit, they must split it between them.

To make the net cost of the different childcare services offered as neutral as possible, various changes will therefore be made to the terms of application of the refundable tax credit for child care expenses.

1.1.1 Changes to the rate table to narrow the gap between the net cost of private and reduced-contribution childcare services

For 2000 to 2008, the rate table used to calculate the tax credit was comprised of 50 family income brackets. A rate that decreased gradually from 75% to 26% as income rose was associated with each bracket. For example, for 2008, a rate of 75% applied to family income of $30 795 or less. The rate decreased one percentage point per income bracket to reach 26% for family income above $85 535. After the first family income bracket, the difference between the bottom of each of the other brackets was approximately $1 140.

Given that the refundable tax credit for child care expenses did not ensure neutrality between the net cost of childcare borne by middle-class families without a reduced-contribution space under the government program and that borne by families with such a space, it was announced, as part of the March 13, 2008 Budget Speech, that a new rate table for calculating the refundable tax credit for child care expenses would come into effect as of the 2009 taxation year.

Under the new table, which has only 33 family income brackets (indexed automatically each year), a rate of 75% is applied to family income of $31 520 or less in order to convert eligible child care expenses into a tax credit. That rate decreases one percentage point per income bracket to reach 60% for family income over $47 860 but not over $84 040. The tax credit rate subsequently decreases by two percentage points per income bracket to reach 26% at the 33rd family income bracket, which applies to family income in excess of $102 925.

The main characteristic of this table is the difference of nearly $36 200 between the bottom of the 16th family income bracket, to which a rate of 60% applies, and the bottom of the 17th bracket, whereas the average difference between the bottom of each of the 15 brackets after the first family income bracket and each of the last 17 brackets of the table is roughly $1 175.

To give more Québec families without a reduced-contribution space under the government program the possibility of calculating their refundable tax credit for child care expenses using a rate that reduces the net cost of their child care expenses to bring it closer to that of a reduced-contribution space, the rate table used to calculate the refundable tax credit for child care expenses will again be changed.

❑ New rate table for calculating the tax credit

As of the 2009 taxation year, the new rate table for calculating the refundable tax credit for child care expenses will be comprised of 32 family income brackets instead of 33. For greater clarity, the thresholds and caps will be indexed automatically on an annual basis.

The structure of the first 15 family income brackets of the new table will be the same as that of the table presented as part of the March 13, 2008 Budget Speech, as the changes concern only the last 18 brackets.

More specifically, the first change will be to incorporate into the 16th bracket of the table, which was to apply to family income of over $47 860 but not over $84 040, the 17th and 18th brackets that had been provided for, thereby raising to $86 370 the cap of the 16th bracket, for which a tax credit of 60% is granted.

The second change will be to group in a single family income bracket, to which a rate of 57% will apply, the 14 brackets, to which a sliding rate of 54% to 28% applied, that were to follow the 18th bracket of the table, as well as the portion of family income over $102 925 but not over $124 000 that was to be included in the last bracket of the table, to which a rate of 26% applied.

Lastly, the portion of family income over $124 000 will be broken down into 15 family income brackets. The bottom of each of these brackets will be separated by a difference of $1 175. A rate ranging from 54% to 26%, which will decrease gradually by two percentage points per family income bracket, will apply to each of the new brackets.

The table below shows the differences between the 2009 rate table for calculating the refundable tax credit for child care expenses that was to be used before the Budget Speech and the one that is to be used after the Budget Speech.

TABLE A.1

Rate table used to calculate the refundable tax credit for child care expenses before and after the Budget Speech

(2009)

Family income ($)		Tax credit rate (%)			Family income ($)		Tax credit rate (%)		
over	but not over	Before Budget	After Budget	Difference	Over	but not over	Before Budget	After Budget	Difference
—	31 520	75	75	—	93 465	94 645	42	57	15
31 520	32 685	74	74	—	94 645	95 830	40	57	17
32 685	33 855	73	73	—	95 830	97 010	38	57	19
33 855	35 015	72	72	—	97 010	98 195	36	57	21
35 015	36 185	71	71	—	98 195	99 375	34	57	23
36 185	37 345	70	70	—	99 375	100 560	32	57	25
37 345	38 525	69	69	—	100 560	101 740	30	57	27
38 525	39 690	68	68	—	101 740	102 925	28	57	29
39 690	40 850	67	67	—	102 925	124 000[2]	26	57	31
40 850	42 015	66	66	—	124 000[3]	125 175	26	54	28
42 015	43 190	65	65	—	125 175	126 350	26	52	26
43 190	44 355	64	64	—	126 350	127 525	26	50	24
44 355	45 525	63	63	—	127 525	128 700	26	48	22
45 525	46 685	62	62	—	128 700	129 875	26	46	20
46 685	47 860	61	61	—	129 875	131 050	26	44	18
47 860[1]	84 040	60	60	—	131 050	132 225	26	42	16
84 040	85 210	58	60	2	132 225	133 400	26	40	14
85 210	86 370[1]	56	60	4	133 400	134 575	26	38	12
86 370[2]	87 555	54	57	3	134 575	135 750	26	36	10
87 555	88 735	52	57	5	135 750	136 925	26	34	8
88 735	89 920	50	57	7	136 925	138 100	26	32	6
89 920	91 100	48	57	9	138 100	139 275	26	30	4
91 100	92 285	46	57	11	139 275	140 450	26	28	2
92 285	93 465	44	57	13	140 450	and over	26	26	—

1 The 16th family income bracket of the new table will include all income over $47 860 but not over $86 370.
2 The 17th family income bracket of the new table will include all income over $86 370 but not over $124 000.
3 Bottom of the 18th family income bracket of the new table.

❑ Advance payments of the tax credit

On January 15, April 15, July 15 and October 15 each year, the Minister of Revenue may pay part of the refundable tax credit for child care expenses in advance, upon request, to families who consider they are entitled to the credit for the year.[3]

The amount that may be paid in advance to an individual for a given year is established by applying, to the eligible child care expenses the individual considers he or she will be required to pay for the year, the rate which, according to that year's table for determining advance payments of the tax credit, is associated with the family income bracket corresponding to the individual's estimated family income for the year.

To enable families to take advantage, during the year, of the improvements that will be made to the refundable tax credit for child care expenses, a new table for determining advance payments must be used. The new table, which will apply to 2009[4] and subsequent years, is presented below.

TABLE A.2

Rate table used to determine advance payments of the refundable tax credit for child care expenses
(2009)

Family income ($)[1]		Tax credit rate	Familiy income ($)[1]		Tax credit rate
over	but not over	(%)	over	but not over	(%)
—	31 520	75	124 000	127 525	50
31 520	37 345	70	127 525	131 050	44
37 345	43 190	65	131 050	134 575	38
43 190	86 370	60	134 575	138 100	32
86 370	124 000	57	138 100	and over	26

1 Each of the family income brackets will be indexed automatically each year as of January 1, 2010.

3 The Minister of Revenue may make advance payments of the tax credit only if the applicant meets certain conditions, including that the estimated tax credit for the year be over $1 000. (However, that condition does not apply if the applicant considers that he or she is entitled to a work premium of more than $500 for the year.)

4 For greater clarity, the additional amounts for 2009 that may result from the application of the new rate table for determining advance payments will be spread equally over the payments to be made after the day of the budget speech.

1.1.2 Increase to $9 000 in the limit on child care expenses for a child under 7 years of age

The applicable limit on child care expenses paid for a child under 7 years of age, for the purpose of calculating the refundable tax credit for child care expenses, is currently $7 000 a year ($10 000 in the case of a child with a severe and prolonged impairment in mental or physical functions).

The $7 000 limit represents a child care rate of approximately $27 a day for a period of 260 childcare days during the same year. Although, in most cases, this limit is high enough for all of the child care expenses paid for a full year for a child under 7 years of age to give entitlement to the tax credit, it is less and less rare for parents today to have to pay a rate of about $35 a day.

Therefore, to better take into account the new reality of some parents, the limit on child care expenses paid for a child who is under 7 at the end of a given year,[5] or who would have been had the child then been living, will be raised from $7 000 to $9 000 as of the 2009 taxation year.

For greater clarity, the maximum allowable amount of $175 a week applicable to amounts paid for a child who attends a boarding school or camp, for each week in the year during which the child attends such a place, will remain unchanged.

1.1.3 Improvement of the tax treatment of child care expenses paid during parental leave

In recent years, the government has introduced several measures to support families—among them, the Québec Parental Insurance Plan.[6]

Since January 1, 2006, this plan has replaced the federal Employment Insurance program, as regards maternity, adoption and parental benefits, for Québec residents. Open to both employees and self-employed workers, the Québec Parental Insurance Plan offers broader coverage. It is also more flexible, as it allows parents to decide how long they will be on leave and what their assured income replacement rate will be.

The primary purpose of the benefits granted to offset the loss of work income during the period relative to the birth or adoption of a child, as well as of the childcare assistance measures,[7] is to enable parents to better balance family and professional responsibilities.

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5 Other than a child with a severe and prolonged impairment in mental or physical functions.

6 The purpose of the plan is to grant maternity, paternity and parental benefits upon the birth of a child, as well as adoption benefits for the adoption of a child.

7 Primarily the program offering reduced-contribution spaces and the refundable tax credit for child care expenses.

Currently, people who receive income replacement benefits under the Québec Parental Insurance Plan cannot claim the refundable tax credit for child care expenses incurred during the period they were on leave,[8] unless the expenses were incurred to enable their spouse to work, continue his or her studies or actively seek employment, as the case may be.

Given that the recipients of a public parental insurance plan can continue to take advantage of the program offering reduced-contribution spaces, the tax legislation will be amended to ensure, for parents who are on leave funded under such a plan, greater neutrality regarding the type of childcare used.

For greater clarity, the tax legislation will be amended to provide that, as of the 2009 taxation year, an individual's child care expenses will include the expenses incurred for childcare services throughout the period during which the individual or the individual's eligible spouse for the year received benefits under the Québec Parental Insurance Plan or birth- or adoption-related benefits under the federal Employment Insurance plan or a plan established by another province.

1.2 Recognition of the Youth Alternative Program for the application of the work premium supplement

To support and value work effort, and encourage people to give up last resort financial assistance to enter the labour market, the tax system grants a work premium in the form of a refundable tax credit to low- and middle-income households.

Since 2008, the application of the work premium has varied depending on whether a member of the household has a severely limited capacity for employment, and a supplement may be added.

The supplement is for long-term recipients giving up last resort financial assistance,[9] and is aimed primarily at ensuring a smooth transition to the labour market, which can occasion expenses that are often substantial.

Set at $200 a month, the work premium supplement is granted on an individual basis for a maximum of 12 consecutive months and may be paid, upon request, in monthly instalments. For a continuous period of work of at least 12 months, the supplement can be up to $2 400 for an individual with no spouse and, in the case of a couple, $4 800 if each of the spouses has integrated the labour market.

Experience has shown that people who have been out of the labour market for several years generally need special encouragement to re-enter it.

8 Maternity, paternity, parental or adoption leave.

9 Financial assistance granted under the Social Assistance Program or the Social Solidarity Program provided for in the *Individual and Family Assistance Act*.

Currently, the government offers various incentives to young adults eligible for last resort financial assistance who, instead of taking that path, choose instead to participate in the Youth Alternative Program. The program supports[10] young adults who undertake to engage in activities enabling them to acquire or regain personal, social and vocational self-sufficiency. Introduced on April 1, 2007, the Youth Alternative Program replaces the Solidarité jeunesse program, which advocated personalized support as a means of preventing, as far as possible, dependence on last resort financial assistance.

Young adults who leave the Youth Alternative Program to integrate the labour market can take advantage of the work premium if they are low- or middle-income workers. However, while some of them needed financial assistance from the government for many months for their subsistence before integrating the labour market, they may not take advantage of the work premium supplement.

To ensure that the eligibility conditions for the work premium supplement do not prevent young adults from participating in the Youth Alternative Program, and with a view to further facilitating their transition to the labour market, eligibility for the supplement will be extended to better recognize the different paths taken by young adults.

❑ Broader eligibility for the supplement

Briefly, under current rules, an individual may receive a supplement of $200 for each given month included in a year if, for that year, the individual is entitled to a work premium and the following conditions are met:

- the given month is included in an individual's period of transition to work that began in the year or the previous year;
- for at least 36 of the 42 months immediately preceding the start of the individual's period of transition to work in which the given month is included, the individual received, as an independent adult or adult member of a family, last resort financial assistance benefits under the *Individual and Family Assistance Act* or the *Act respecting income support, employment assistance and social solidarity*;[11]
- the individual's work income for the given month is equal to or greater than $200;
- for the first month of the individual's period of transition to work in which the given month is included, the individual held a valid claim booklet issued by the Minister of Employment and Social Solidarity enabling the individual to receive certain dental and pharmaceutical services.

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10 This assistance is primarily in the form of personalized support and a youth allowance.

11 Last resort financial assistance was paid under this statute until it was replaced, in 2007, by the *Individual and Family Assistance Act*.

For the purposes of these conditions, an individual's period of transition to work designates a period that begins on the first day of a given month[12] recognized by the Minister of Employment and Social Solidarity as being a month in which the individual ceased receiving last resort financial assistance benefits under the *Individual and Family Assistance Act* because of his or her work income or that of his or her spouse, and that ends on the last day of the 11th month following the given month or, if it is prior to that, the last day of the month preceding that in which the individual began receiving such benefits.

To encourage young people who have been out of the labour market for a long time and who choose an alternative to last resort financial assistance in order to facilitate their integration into the labour market, changes will be made to certain eligibility conditions of the work premium supplement.

First, the condition concerning the receipt of last resort financial assistance benefits for at least 36 of the 42 months immediately preceding the start of the period of transition to work will be changed to include financial assistance benefits received under the Solidarité jeunesse program and the Youth Alternative Program, including benefits received under the pilot youth alternative project.[13]

Second, the condition relative to the holding of a claim booklet for the first month of a period of transition to work will be changed so that it no longer applies to an individual who received a financial assistance benefit under the Youth Alternative Program for the month preceding the first month of a period of transition to work.

In addition, an individual's "period of transition to work" will be redefined to designate a period that begins on the first day of a given month following March 2009 and recognized by the Minister of Employment and Social Solidarity as being a month in which the individual ceased receiving a last resort financial assistance benefit under the *Individual and Family Assistance Act* or a financial assistance benefit under the Youth Alternative Program, because of his or her work income or that of his or her spouse, and that ends on the last day of the 11th month following the given month or, if it is prior to that, the last day of the month preceding that in which the individual began receiving either of these benefits.

These changes will apply to individuals who give up last resort financial assistance or the Youth Alternative Program after March 31, 2009.

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12 Only a month after March 2008 may mark the start of a period of transition to work.

13 The Youth Alternative Program began as an experiment, known as the pilot youth alternative project, in nine local employment centres. The experiment started on May 1, 2006 and ended on March 31, 2007. However, the young people in the pilot project automatically became participants in the Youth Alternative Program. Accordingly, they were able to have the same conditions and benefits, for the full duration of their intervention plan initially agreed on, as the young people who became participants in the program when it took effect.

❑ Administrative details

Given the changes that will be made to the eligibility conditions of the work premium supplement, certain administrative details pertaining to advance payments and communication of information with regard to the supplement should be given.

■ Advance payments of the supplement

To improve the cash situation of individuals during their transition to the labour market, the Minister of Revenue may, if the individuals so request,[14] pay them $200 no later than the 15th day of each month following the month in which the request is made, up to the amount of the supplement to which the individuals consider they are entitled.

Given the time required to adapt administrative systems to the eligibility for the supplement of certain young people who participated in the financial support and assistance programs specially designed for them, the first payment of the supplement that may be made to them will be deferred to July 15, 2009. However, the first payment will include, as applicable, the payments attributable to the supplement for April, May and June 2009.

For greater clarity, for any given month after June 2009, the supplement will be paid on the 15th day of the following month.

■ Communication of information

When the Minister of Employment and Social Solidarity pays an individual a financial assistance benefit under the Youth Alternative Program for a given month included in a year after 2008, the following information must be provided on the RL-5 information slip he is required to issue for the year regarding the payment:

— the months for which such a benefit was paid to the individual;

— where applicable, the fact that the individual is not requied to hold a claim booklet for the first month of a period of transition to work included in the year;

— any other information deemed necessary by the Minister of Revenue for the application of the supplement.

14 The request must be sent to a local employment centre of the ministère de l'Emploi et de la Solidarité sociale, which then forwards it to Revenu Québec.

1.3 Streamlining of the Québec education savings incentive (QESI)

To encourage parents to save for their child's post-secondary education, the funds set aside in registered education savings plans, or RESPs as they are otherwise known, accrue sheltered from tax until the child (the beneficiary of the plan) undertakes recognized post-secondary studies.

To encourage more families to save for their children's post-secondary education as early as possible, a Québec education savings incentive (QESI) similar to the Canada Education Savings Grant has been granted since 2007 to any trust governed by an RESP in which one of the beneficiairies is a child resident in Québec.

The QESI, which is in the form of a refundable tax credit, enables families who contribute to an RESP after February 20, 2007 to receive government assistance of up to $3 600 per child, on a cumulative basis—the equivalent of 50% of the maximum grant paid under the *Canada Education Savings Act*. The government assistance is in addition to the income accrued in the plan through private savings, with a view to eventually being paid to the child in the form of an educational assistance payment.

The QESI is therefore intended to be a savings premium granted, for a given year, respecting contributions made to an RESP for a child who is 17 or under at the end of the year. However, if the child is 16 or 17 at the end of the year, certain requirements must be met for the contributions made in the child's regard to give entitlement to the QESI.

Generally, the QESI provides financial assistance corresponding, for a given year, to 10% of the first $2 500 paid in the year as contributions to an RESP on behalf of a minor child. The maximum basic QESI for a child can therefore reach $250 a year.

An increase is, however, granted for children of low- and middle-income households respecting the first $500 in annual contributions.

Thus, for children of households with a family income of $38 385 or less,[15] the rate of financial assistance under the QESI is doubled, from 10% to 20%, for the first $500 paid annually into an RESP. The basic QESI may therefore be increased by up to $50 a year. Accordingly, the maximum allowable assistance for a child of a low-income household is raised from $250 to $300 a year.

15 This amount is automatically indexed each year.

For children of households with a family income of over $38 385 but not over $76 770,[16] the basic QESI may be increased by up to $25 a year, the rate applicable to the first $500 in annual contributions paid into an RESP rising from 10% to 15%. The maximum allowable assistance for a child in a middle-income household is therefore raised from $250 to $275 a year.

In addition, a child's maximum basic QESI entitlement of $250 accrues annually as of 2007 or, if the child's year of birth is after 2007, from the year of birth, until the year in which the child turns 17 years of age. Thus, families who are unable to contribute to an RESP in a given year or whose contributions in the year are too low to give entitlement to the maximum basic QESI may, in subsequent years, make up the shortfall in their contributions. In such a case, unused QESI entitlement of up to $250 may be added to the QESI otherwise payable for the year.

Moreover, for the QESI to be paid for a given year to a trust governed by an RESP, the trustee of the plan must submit a request to Revenu Québec no later than the 90th day after the end of the year, or after a longer period of time that is deemed reasonable but that may not exceed December 31 of the third year following the the year for which the QESI is requested.

In addition, at the time of the request, a QESI participation agreement must have been entered into by the plan trustee, in that capacity, and the Minister of Revenue.[17]

Experience since the QESI came into effect has shown that certain tax rules relative to this measure could be better adapted to the situation of RESP trustees.

These rules, which concern the contributions paid for a child 16 or 17 years of age and transfers of property between RESPs, will be changed so as to make them more flexible and thereby facilitate the task of RESP trustees.

1.3.1 Rules concerning RESP beneficiaries 16 or 17 years of age

Under current rules, a contribution paid to an RESP during a given year may give entitlement to a QESI for that year if, among other conditions, it is paid with respect to a beneficiary of the plan who is 17 or under at the end of the year.

However, if the beneficiary of the plan is 16 or 17 at the end of the year, certain requirements must be met so that the contributions paid with respect to the beneficiary give entitlement to the QESI.

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16 Each of these amounts is also indexed automatically each year.

17 Essentially, the agreement makes it possible to follow up the QESI amounts paid into the RESP.

Under the requirements, which essentially ensure that the government assistance granted under the QESI is reasonable compared with the private savings invested in an RESP, minimum contributions must have been made previously on behalf of the child.

More specifically, contributions totalling a minimum of $2 000 must have been paid into RESPs on behalf of the child and must not have been withdrawn until the end of the year during which the child reaches 15 years of age, or a minimum of $100 in annual RESP contributions must have been paid for the child over at least four consecutive or non-consecutive years prior to the year in which the child turns 16 and must not have been withdrawn before that year.

However, if these requirements are not met for 2007, the contributions paid on behalf of the child during the year and after February 20, 2007 may nonetheless give entitlement to the QESI if an RESP existed on behalf of the child for at least four consecutive or non-consecutive years prior to 2007. The same applies to 2008 with regard to contributions paid during the year on behalf of a child who is 17 at the end of the year.

Apart from the planned streamlining for 2007 and 2008, the rules governing RESP beneficiaries 16 or 17 years of age are identical to the federal government rules applicable to the payment of the Canada Education Savings Grant.

Currently, RESP trustees must ensure that these rules are complied with before submitting an application relative to the QESI. However, that task may be difficult, especially if a trustee's accounting system does not allow for confirmation that the minimum contributions required have been paid for the child or that the child is the beneficiary of more than one RESP managed by different trustees. In such a case, the trustee must obtain written confirmation from the subscriber that the minimum contributions required have been paid.

Although the same minimum contribution requirements exist under the Canada Education Savings Grant, RESP trustees no longer have to ensure that they have been met before applying for a grant. For a few years now, that responsibility has been assumed by the federal government, which makes the necessary verifications through the Canada Education Savings Program, whose database goes back far enough to carry out the required validations.

Accordingly, to simplify the work of RESP trustees, while ensuring that the government assistance provided through the QESI is reasonable in terms of the private savings in the plan, the minimum contribution requirements regarding children 16 or 17 years of age at the end of a given year, will be replaced, with regard to all contributions paid after December 31, 2008, by a requirement that a Canada Education Savings Grant be paid for the year, respecting the trust governed by the RESP of which the child is the beneficiary, regarding a contribution made on behalf of the child during the year.

1.3.2 Alienation of the Québec incentive further to the transfer of all property from one RESP to another RESP

For various reasons, people who subscribe to an RESP with a given entity, such as a financial institution or a trust company, wish to entrust the management of their education savings portfolio to another entity and, to that end, ask that all of the property in the plan be transferred to an RESP managed by the other entity.

When such a request is made during a given year by the RESP subscriber, but the trust governed by the RESP has not yet received the QESI to which it is entitled for a previous year, the trust must wait until it has received all QESI amounts owed to it before it transfers all of the property in the plan to another RESP, or completes it.

A trust governed by an RESP cannot alienate to another trust its tax claims with regard to the QESI, because, under a principle set forth in the tax legislation, every amount owing by the State in respect of a fiscal law as a refund is inalienable, unless the legislation explicitly provides for an exception.

As a result, several months may elapse before an RESP subscriber's request to transfer all of the property in the plan is acted on, which can be a source of misunderstandings, even discontent.

In this context, an exception to the principle concerning the inalienability of amounts owing by the State in respect of a fiscal law will be introduced to facilitate the transfer of all the property in an RESP to another RESP.

More specifically, a trust governed by an RESP, hereinafter called the "sending plan", will be able to alienate, during a given taxation year to a trust governed by an RESP, hereinafter called the "receiving plan", any QESI amount payable to it for a previous taxation year, as long as the alienation is done at the time of an authorized transfer, within the meaning ascribed to that term for QESI purposes,[18] of all of the property held in the sending plan to the receiving plan and a QESI participation agreement is applicable to the receiving plan at the time of the transfer.

However, the alienation of an amount payable for QESI purposes is not binding on the government and, accordingly, the Minister of Revenue will retain his discretion to pay or not to pay the amount to the trust governed by the receiving plan. Moreover, the alienation will create no obligation for the government toward the trust governed by the receiving plan and the rights of the receiving trust will be subject to any right to compensation of which the government may avail itself.

This measure will apply to transfers made after the day of the Budget Speech.

1.3.3 Consequences of late participation by certain RESP providers

To be authorized to apply for a QESI for a given year, RESP providers must have entered into a QESI participation agreement[19] with the Minister of Revenue beforehand.

RESP providers who received contributions after February 20, 2007 and before January 1, 2008 have until December 31, 2010 to enter into such an agreement and submit a QESI application if they want their clientele to receive this government assistance for 2007.

To date, a QESI amount has been paid for 2007 with regard to nearly 200 000 RESP beneficiaries, and everything indicates that QESI payments for 2007 will be made in a while in respect of tens of thousands of other beneficiaries.

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18 Essentially, a transfer of property is an authorized transfer where a beneficiary of the receiving plan was, immediately before the transfer, a beneficiary of the sending plan or had not yet reached 21 years of age and was, immediately before the transfer, the brother or sister of a beneficiary of the sending plan, and where, at the time of the transfer, the receiving plan had only one beneficiary or, if it had several beneficiaries, they were all brothers and sisters, or no amount was paid into the sending plan as a QESI increase. Furthermore, the receiving plan must satisfy all registration requirements applicable to education savings plans for which the contract was entered into after December 31, 1998.

19 The agreement must be concluded by the RESP trustee and, for it to be fully applicable, a second agreement must be concluded between the promoter of the plan and the Minister of Revenue.

Sixteen RESP providers have already entered into a QESI participation agreement[20], with the result that the plans they offer can give entitlement to this government assistance.

However, despite the fact that the QESI participation process is clearly on the right track, a number of RESP subscribers who are with a provider that has not yet taken advantage of this measure say they are worried about losing the QESI for contributions made to their plan since February 21, 2007.

Although the government remains confident that many other RESP providers will, by December 31, 2010, join those who are already taking part in this measure, it is not impervious to the fact that RESP contributions paid since February 21, 2007 will not be able to give entitlement to the government assistance, where an RESP provider takes a business decision not to offer the QESI to its clientele.

In this context, the government intends to implement, for 2011, measures to facilitate the transfer of property from a non-participating RESP held by a trust resident in Québec to a participating RESP, so that the QESI may be granted for contributions paid after February 20, 2007 and before January 1, 2011 to a non-participating plan. The details of these measures will be announced at a later date.

20 The names of the providers are listed on the Website of Revenu Québec: <http://www.revenu.gouv.qc.ca/eng/particulier/impots/impot/iqee/fournisseurs_reee.asp> (site consulted on March 13, 2009).

2. Measures concerning businesses

2.1 Introduction of a ten-year income tax holiday for a new corporation dedicated to the commercialization of intellectual property

To increase the number of businesses in Québec spun off from research carried out in the public domain in Québec and thus further encourage innovation, a ten-year income tax holiday is being introduced, applicable to new corporations dedicated to the commercialization of intellectual property developed in Québec universities and Québec public research centres.

This tax holiday will encourage entrepreneurship and help keep intellectual property in Québec. It will also make it easier for these new businesses to access financing and will enable Québec universities and Québec public research centres to benefit further from the commercialization of the results of their research.

More specifically, an eligible corporation that has a certification from the ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE) for an eligible commercialization business may receive a tax holiday on the income from such business for a period of ten years.

❑ Eligible corporation

The expression "eligible corporation", for a taxation year, means a corporation that, for the taxation year and each prior taxation year, satisfies the following conditions:

— it was incorporated in Canada after the day of the Budget Speech and before April 1, 2014;

— it began to carry on an eligible commercialization business within 12 months of its incorporation;

— it must earn all or almost all of its income, for the year, from one or more active businesses that are eligible commercialization businesses and all or almost all of the amounts resulting from the disposition of capital properties, for the year, must stem from dispositions of capital properties that occur in the normal course of the activities of such businesses;

— it did not carry on all or part of a business previously carried on by another entity, unless such business was thus carried on by such other entity for a period of not more than 90 days;

- it is not the result of a merger or amalgamation of several corporations;
- it did not sell all or almost all the properties it used in the course of carrying on an eligible commercialization business;
- it claimed all the deductions, in particular the discretionary deductions,[21] to which it was entitled in calculating its income and its taxable income for the year, at least up to what is required for its taxable income to be equal to zero, if applicable;
- it was not be the beneficiary of a trust, other than a mutual fund trust;[22]
- it was not a party to a joint venture nor was it a member of a partnership, unless each member of the joint venture or each member of the partnership was, as the case may be, an eligible institute.

The expression "eligible institute" means an eligible university entity or an eligible public research centre for the purposes of the tax credit for university research and for research done by a public research centre.

❑ Eligible commercialization business

The expression "eligible commercialization business" of a corporation means a business regarding which the MDEIE issues a certificate stipulating that, in its view, the only purposes of the business are, as the case may be:

- making and selling goods more than 50% of whose value stems from eligible intellectual property;
- making and selling goods of which an essential component is an eligible intellectual property;
- the licensing of computer programs that are eligible intellectual properties.

The expression "eligible intellectual property" of a corporation means property that, in the view of the MDEIE, satisfies the following conditions:

- it was developed in the course of employment or academic study at an eligible institute by one or more individuals each of whom is an inventor for the purposes of the *Patent Act* (Canada), or an author for the purposes of the *Copyright Act* (Canada), and its development does not result from a research contract carried out on behalf of another person or other entity;

21 Depreciation of capital cost, for instance.

22 For instance, for temporary investment of its cash.

- nobody had ownership of it in any way whatsoever, other than:
  - the eligible institute where the research work on its development took place;
  - the individual or individuals who created it and each of whom was, at the time of its creation, an employee or a student of the eligible institute where the research work was carried out;
  - the corporation;
  - a subsidiary entity of an eligible institute recognized by the MDEIE;
  - a combination of the above-mentioned persons or entities;
- it was disclosed in a timely manner and within the deadline required to the eligible institute where the research work was carried out in accordance with the institute's official policy on disclosure of intellectual property, if it has one;
- it consists, as the case may be, of:
  - a patent issued under the *Patent Act* (Canada);
  - intellectual property regarding which an application for a patent was filed under the *Patent Act* (Canada) by a person or entity mentioned above regarding whom it is reasonable to expect that the patent be issued in accordance with the application no later than the last day of the 10th taxation year of the eligible corporation ending after its incorporation;
  - the copyright on a computer program regarding which the MDEIE is of the view that it constitutes a significant technological advance at the time it is achieved.

For greater clarity, the expression "computer program" means such a program within the meaning of section 2 of the *Copyright Act* (Canada).

■ Period of validity of the certificate of the eligible commercialization business

The certificate of the eligible commercialization business will be valid for a maximum of three years, and must be renewed when it expires.

Accordingly, the first certificate will last a maximum of three years beginning on the date when the eligible corporation starts to carry on the eligible commercialization business.

At the end of a certificate's validity, the corporation must apply to the MDEIE for renewal of the certificate regarding which the same eligibility criteria will continue to apply. This certificate will be valid for a maximum of three years beginning at the end of the period of validity of the preceding certificate.

The corporation must follow this renewal procedure as long as its tax holiday lasts.

The conditions for obtaining the certificate will be incorporated into the parent legislation,[23] and the powers of revision, audit and revocation of the MDEIE will be those generally granted to the organizations targeted by that legislation.

❑ Income tax holiday

The tax legislation will be amended so that an eligible corporation that has a certificate from the MDEIE regarding an eligible commercialization business can claim a tax holiday on the income from such business for a period of ten years starting the day of its incorporation.

For the taxation year during which the 10th anniversary of incorporation of the eligible corporation occurs, it may claim an income tax holiday in proportion to the number of days of such taxation year that precede such 10th anniversary compared to the total number of days of such taxation year.

❑ Accessory rules

An eligible corporation that wishes to claim this tax credit, for a taxation year, must enclose with its tax return, for such year, a form prescribed by the Minister of Revenue as well as a copy of the certificate issued by the MDEIE.

Moreover, an eligible corporation must, in the taxation year following that during which its holiday period ends, make its instalment payments, for such taxation year, independently of the tax holiday it enjoyed.

To that end, a corporation's holiday period will end in the taxation year during which the corporation ceases to satisfy the conditions for qualifying as an eligible corporation, if such year occurs prior to the year of the 10th anniversary of its incorporation. Otherwise, the holiday period will end in the taxation year during which such 10th anniversary occurs.

2.2 Introduction of a five-year royalty holiday for new natural gas wells

The objective of the mining duties and royalties system is to enable the government to collect fair compensation for the development of mineral resources that belong to the public domain. The system consists of mining duties collected under the *Mining Duties Act* and royalties collected under the *Mining Act*.

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23 The parent legislation was announced in *Information Bulletin 2007-10*, (page 16) and will consolidate the non-tax parameters of certain fiscal measures.

Accordingly, the *Mining Act*, in addition to regulating all mining industry activities, imposes royalties for certain mineral resources not covered by the *Mining Duties Act*. Natural gas is one such mineral resource.

According to the *Mining Act*, the holder of a natural gas development lease must pay a royalty, set by regulation, corresponding to a percentage of at least 5% and at most 17% of the value of production at the well. Currently, the *Regulation respecting petroleum, natural gas, brine and underground reservoirs* sets this royalty at a rate that varies between 10% and 12.5%. The rate depends on the average daily production measured in cubic metres.

The global financial crisis and the dramatic fall in the price of energy commodities over the last six months have prompted some corporations in the sector to postpone their investments.

Moreover, it is important to reduce the risk associated with natural gas exploration in Québec, where the potential for profit is still uncertain.

Accordingly, and to accelerate investment in natural gas development, a five-year royalty holiday of up to $800 000 per well will be granted for any well put into production after the day of the Budget Speech and before January 1, 2011.

More specifically, the *Mining Act* and the regulation will be amended to stipulate that a royalty rate of 0% will apply for a period of five years beginning on the date the natural gas well enters into production, where such well is brought into production after the day of the Budget Speech and before January 1, 2011. The royalty savings resulting from this holiday will, however, be limited to a maximum of $800 000 per well.

2.3 Extension to the forest and mining sectors of the refundable tax credit for manpower training in the manufacturing sector

In 2007, a refundable tax credit for manpower training was introduced to help Québec's manufacturing sector, which has for some years experienced difficulties that are compromising its growth. One factor that can help in this sector's recovery is undoubtedly better manpower training.[24]

Accordingly, an eligible employer can claim a refundable tax credit, for a taxation year, equal, for each eligible employee, to 30% of eligible training expenditures incurred regarding such eligible employee during such taxation year.

24 Ministère des Finances DU QUÉBEC, *Information Bulletin 2007-9*, November 23, 2007, p. 3.

An eligible employer, for a taxation year, means a corporation, other than an excluded corporation, or a partnership, that, in the course of the year, has an establishment in Québec and carries out an eligible activity there.[25]

An eligible activity means an activity that relates to the manufacturing sector. To that end, activities relating to the manufacturing sector are the same as the ones included under codes 31, 32 and 33 of the North American Industry Classification System (NAICS codes).[26] The notion of eligible activity is administered by Revenu Québec.

However, this tax assistance for companies in the manufacturing sector is not available to companies in the forest and mining sectors, even though they have been severely affected by the current economic crisis. Accordingly, the application of the tax credit for manpower training in the manufacturing sector will be extended to companies in the forest and mining sectors.

The tax legislation will therefore be amended to stipulate that henceforth, an eligible activity means, in addition to an activity relating to the manufacturing sector, an activity relating to the forest or mining sector.

To that end, the activities relating to the forest sector will be the same as those included under NAICS code 113 (Forestry and Logging) and activities relating to the mining sector will be the same as those included under NAICS codes 211 (Oil and Gas Extraction) and 212 (Mining and Quarrying — except Oil and Gas).

Pursuant to these amendments, the refundable tax credit for manpower training in the manufacturing sector will henceforth be called the refundable tax credit for manpower training in the manufacturing, forest and mining sectors.

For greater clarity, all the other application details of the tax credit for manpower training in the manufacturing sector will apply to the refundable tax credit for manpower training in the manufacturing, forest and mining sectors, including the concordance changes announced in 2008 with the introduction of the tax credit for francization in the workplace.[27]

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25 An excluded corporation, for a taxation year, means a corporation exempt from tax for such year, a Crown corporation or a subsidiary wholly controlled by such corporation. Moreover, in the case where the eligible employer is a partnership, eligibility for the tax credit is determined with reference to the partnership, but the tax credit is granted to each member of the partnership that is a corporation, other than an excluded corporation.

26 The description of these NAICS codes is available on the Statistics Canada website: <http://www.statcan.gc.ca/subjects-sujets/standard-norme/naics-scian/2007/list-liste-eng.htm> (site consulted on March 13, 2009).

27 MINISTÈRE DES FINANCES DU QUÉBEC, *2008-2009 BUDGET — Additional Information on the Budgetary Measures*, March 13, 2008, Section A, p. A-92.

These amendments will apply regarding an eligible training expenditure incurred after the day of the Budget Speech and before January 1, 2012. In addition, the eligible training expenditure must relate to eligible training beginning after the day of the Budget Speech and before January 1, 2012. However, these amendments will not apply regarding an eligible training expenditure incurred in relation to training offered in accordance with an obligation contracted no later than the date of the Budget Speech.

2.4 Improvements to refundable tax credits in the cultural field

In the January 14, 2009 economic statement, to help Québec's film and television industry to deal with the difficult economic situation and more intense tax competition from other provinces, a number of changes were made to the refundable tax credit for Québec film and television production.[28] More specifically, the base rates of the tax credit were raised and a new improvement was introduced for certain productions that do not receive any financial assistance granted by a public organization.

Accordingly, this tax credit, which applies to labour expenditures incurred by a corporation that produces a Québec film, now corresponds, in general, to 35% or 45% of such expenditures. However, the labour expenditures giving rise to this tax credit may not exceed 50% of the production costs of the film, so that the tax assistance generally may not exceed 17.5% of 22.5% of such costs.

The cap on the tax credit, which was $2 187 500 per film or series, was eliminated and, in the interests of simplification, the rates of the various improvements that are in addition to the tax credit were adjusted so that they no longer contain decimals.

The show and music industry is also faced with a difficult economic situation. The show industry is straining to provide adequate distribution of French-language song and music shows in every region of Québec. The music industry, for its part, must deal with a new competitive environment, particularly with respect to distribution methods, such as the Internet, for instance.

Accordingly, to also support the show and musical industries, the refundable tax credit for the production of shows and the refundable tax credit for the production of sound recordings will be improved.

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28 Ministère des Finances du Québec, *Economic Statement — Additional Information on the Fiscal Measures*, January 14, 2009, p. 9.

Moreover, in the interests of simplification, the rates of the refundable tax credit for film dubbing and the refundable tax credit for book publishing, which apply to the eligible labour expenditure, will also be adjusted so that they no longer contain decimals. In addition, the certification procedure of the Société de développement des entreprises culturelles (SODEC) will be streamlined insofar as the refundable tax credit for film production services is concerned to bring its administration more in line with that of the corresponding federal tax credit.

Lastly, concerning the refundable tax credit for Québec film and television production, a clarification will be made to the 10% improvement where a production does not receive any financial assistance granted by a public organization.

2.4.1 Improvements to the refundable tax credit for the production of shows

The refundable tax credit for the production of shows was introduced in 1999 to enable the industry to maintain or increase its volume of production, reduce production costs, enable the production of more ambitious shows and support the creation of diversified, more fairly paid jobs.

Even today, the industry still has difficulty ensuring an adequate supply of shows in every region of Québec.

Accordingly, to further support this sector, in particular in the context of the current economic situation, the rate of the refundable tax credit for the production of shows and the percentage of eligible expenditures will be raised.

❑ Increase in the rate of the tax credit and percentage of eligible expenditures

The refundable tax credit for the production of shows applies to the labour expenditure attributable to services supplied for the production of an eligible show, namely a musical, drama, comedy, mime, magic, circus, aquatic or ice show.

The tax credit is equal to 29.1667% of the amount of eligible labour expenditures, which are, however, limited to 45% of the show's production costs. Tax assistance can accordingly reach 13.125% of such production costs.

In addition, the tax credit for an eligible show may in no event exceed $750 000.

The 29.1667% rate of the tax credit for the production of shows will rise to 35% and the limit on production costs will increase from 45% to 50%. However, the $750 000 cap will be maintained.

❑ Application date

These changes will apply in relation to an eligibility period of a show that begins after the day of the Budget Speech. They will also apply to the first of the three eligibility period of a show that begins no later than the day of the Budget Speech, but only if the first public performance of the show, in relation to such period, occurs after the day of the Budget Speech.

2.4.2 Improvements to the refundable tax credit for the production of sound recordings

The refundable tax credit for the production of sound recordings was introduced in 1999 to support Québec's record industry and foster its consolidation, by encouraging the development of singers and songwriters in Québec. In 2006, changes were made to this tax credit to adapt it to the new realities of the music industry. Since then, digital audio-visual recordings and clips are eligible for the tax credit.[29]

With the changes in technology that have gathered pace in recent years, the music market has been transformed at an accelerated rate, forcing industry players to undertake a rapid review of how musical works are produced, circulated, promoted and distributed.

Consequently, the music industry must now deal with a new competitive environment where market segments that did not exist five years ago are enjoying substantial growth.

Accordingly, to further support this sector, in particular in the context of the current economic situation, the rate of the refundable tax credit for the production of sound recordings and the percentage of eligible expenditures will be raised. In addition, the caps on this tax credit applicable regarding a given recording will be eliminated, and a streamlining measure will be applied to facilitate, both for the producer and for SODEC, the administration of the tax credit.

29 MINISTÈRE DES FINANCES DU QUÉBEC, *2006-2007 Budget — Additional Information on the Budgetary Measures*, March 23, 2006, Section 1, p. 72.

❑ Increase in the rate of the tax credit and percentage of eligible expenditures and elimination of the caps otherwise applicable to a sound recording

The refundable tax credit for the production of sound recordings is equal to 29.1667% of the amount of eligible labour expenditures in relation to a sound recording, digital audio-visual recording or clip, which expenditures are, however, limited to 45% of the production costs of the sound recording, digital audio-visual recording or clip, as the case may be. Tax assistance can accordingly reach 13.125% of such production costs.

In addition, the tax credit for an eligible sound recording or an eligible digital audio-visual recording may not exceed $43 750, and the tax credit for an eligible clip may in no event exceed $21 875.

The 29.1667% rate of the tax credit for the production of sound recordings will rise to 35% and the limit on production costs will increase from 45% to 50%.

Moreover, the $43 750 and $21 875 caps will be eliminated.

These changes will apply to a sound recording, a digital audio-visual recording or a clip for which an application for an advance ruling, or a final certification application if no application for an advance ruling has been filed, is filed with SODEC after the day of the Budget Speech.

❑ Streamlining of the refundable tax credit for the production of sound recordings

In general, to be eligible for the tax credit for the production of sound recordings, a property must satisfy various criteria, including one regarding Québec content, stipulated by a point scale.

Moreover, so that the production of digital audio-visual recordings can give rise to this tax credit, particular eligibility criteria for this type of property had to be established. On the other hand, exclusion criteria have defined the categories of digital audio-visual recordings covered by the tax credit. Accordingly, an eligible digital audio-visual recording is in particular a digital audio-visual recording that is not otherwise excluded.

An excluded digital audio-visual recording means, among other things, a digital audio-visual recording that consists chiefly of material that has given rise to the tax credit for Québec film and television production or the tax credit for film production services.

The excessively broad formulation of this exclusion results in application difficulties for SODEC because of the common techniques for creating a digital audio-visual recording.

A digital audio-visual recording consists of many segments from a number of sources. Accordingly, such a recording usually includes the capture of a show by an artist as well as many extracts from, for instance, variety shows, video clips, interviews, very often covering many years. Consequently, the producer of a digital audio-visual recording must draw from image banks from his own archives and those of other players.

As a result, it is difficult, both for the producer and for SODEC, to ensure that this material has not previously given rise to a tax credit for Québec film and television production or a tax credit for film production services.

In view of the fact that the original intent of this exclusion was to prevent a producer from reusing his archives to maximize recovery of labour expenditures by marketing by-products, the legislation will be amended to restrict application, for a digital audio-visual recording, to a corporation that applies for an eligibility certificate in relation to a recording and to a corporation associated with it according to the rules stipulated in the *Taxation Act*.[30]

Accordingly, an excluded digital audio-visual recording means, among other things, a digital audio-visual recording that consists chiefly of material that has given rise, for the eligible corporation applying to SODEC for certification in relation to such recording or for a corporation associated with it according to the rules stipulated by the *Taxation Act*, to the tax credit for Québec film and television production or the tax credit for film production services.

Lastly, SODEC may consult Revenu Québec to determine whether a corporation is a corporation associated with the eligible corporation. For greater clarity, only the information SODEC needs for the purposes of such determination will be forwarded to it, in order to preserve the otherwise confidential nature of the information obtained by the Revenu Québec in the course of applying a tax law.

This change will apply to a digital audio-visual recording for which an application for an advance ruling, or a final certification application if no application for an advance ruling has been filed, is filed with SODEC after the day of the Budget Speech.

30 This amendment will be included in the parent legislation that will encompass the non-tax parameters of certain fiscal measures, whose introduction was announced in *Information Bulletin 2007-10*, page 16.

2.4.3 Adjustments to the refundable tax credits for film dubbing and book publishing so they no longer contain so many decimals

❑ Refundable tax credit for film dubbing

The refundable tax credit for film dubbing applies to the eligible labour expenditures incurred by an eligible corporation that are attributable to the dubbing of a film and corresponds to 29.1667% of such expenditures. However, the labour expenditures that give rise to the tax credit cannot exceed 40.5% of the consideration paid to the eligible corporation for the execution of the film dubbing contract. Tax assistance can accordingly reach 11.8125% of such consideration. Moreover, there is no cap on the tax credit for film dubbing.

In the interests of simplification, the 29.1667% rate of the tax credit for film dubbing will rise to 30%.

This change will apply to a production for which a final certification application is filed with SODEC after the day of the Budget Speech.

❑ Refundable tax credit for book publishing

The refundable tax credit for book publishing is equal to the total of the following amounts:

- an amount equal to 35% of eligible labour expenditures attributable to the preparation costs of an eligible book or eligible group of books;
- an amount equal to 26.25% of eligible labour expenditures attributable to the printing costs of an eligible book or eligible group of books.

However, eligible labour expenditures are limited to 50% of preparation costs and 33 ⅓% of printing costs. Tax assistance can accordingly reach 17.5% of preparation costs and 8.75% of printing costs.

Moreover, for an eligible book or an eligible group of books, the tax credit may not exceed $437 500 for the eligible book or for each book that is part of an eligible group of books.

While the 35% rate applicable to eligible labour expenditures attributable to preparation costs will remain the same, the 26.25% rate applicable to eligible labour expenditures attributable to printing costs will rise to 27%.

This change will apply to a book or a book that is part of a group of books, regarding which an application for an advance ruling, or a final certification application if no application for an advance ruling has been filed, is filed with SODEC after the day of the Budget Speech.

Table A.3 shows the current parameters applicable under the tax credit for film dubbing, the tax credit for the production of shows, the tax credit for the production of sound recordings and the tax credit for book publishing while Table A.4 shows the new parameters applicable under these tax credits further to the changes announced.

TABLE A.3

Parameters of the refundable tax credits in the cultural field before changes

	Tax credit rates (%)			Cap on labour expenditures (%)			Cap ($)		
	Labour expenditures	**Preparation costs**	**Printing costs**	**Production costs**	**Preparation costs**	**Printing costs**	**General**	**Sound and digital audio-visual recordings**	**Clips**
Film dubbing	29.1667	n.a.	n.a.	40.5[1]	n.a.	n.a.	n.a.	n.a.	n.a.
Production of shows	29.1667	n.a.	n.a.	45	n.a.	n.a.	750 000	n.a.	n.a.
Production of sound recordings	29.1667	n.a.	n.a.	45	n.a.	n.a.	n.a.	43 750	21 875
Book publishing	n.a.	35	26.25	n.a.	50	33 ⅓	437 500	n.a.	n.a.

1 The cap on labour expenditures is calculated on the basis of the consideration paid to the eligible corporation for carrying out the film dubbing contract.

TABLE A.4

Parameters of the refundable tax credits in the cultural field after changes

	Tax credit rates (%)			Cap on labour expenditures (%)			Cap ($)		
	Labour expenditures	**Preparation costs**	**Printing costs**	**Production costs**	**Preparation costs**	**Printing costs**	**General**	**Sound and digital audio-visual recordings**	**Clips**
Film dubbing	30	n.a.	n.a.	40.5[1]	n.a.	n.a.	n.a.	n.a.	n.a.
Production of shows	35	n.a.	n.a.	50	n.a.	n.a.	750 000	n.a.	n.a.
Production of sound recordings	35	n.a.	n.a.	50	n.a.	n.a.	n.a.	n.a.	n.a.
Book publishing	n.a.	35	27	n.a.	50	33 ⅓	437 500	n.a.	n.a.

1 The cap on labour expenditures is calculated on the basis of the consideration paid to the eligible corporation for carrying out the film dubbing contract.

2.4.4 Simplification of SODEC's certification procedure for obtaining the refundable tax credit for film production services

The refundable tax credit for film production services is designed to stimulate job creation in Québec essentially by encouraging foreign producers to choose Québec to film foreign productions, and applies to the Québec labour expenditures attributable to the various stages of production or the carrying out of such productions.

Generally speaking, the amount of the tax credit is equal to 25% of the eligible labour expenditures, which are not limited on the basis of production costs. In addition, this tax credit is not subject to a cap.

Moreover, labour expenditures eligible for the tax credit that relate to computer-aided special effects and animation for use in an eligible production give rise to a 20% increase in the rate of the tax credit, such that these expenditures give rise to a tax credit at the enhanced rate of 45%.

To obtain the tax credit for film production services, an eligible corporation must first receive a favourable advance ruling from the SODEC, then claim the tax credit from Revenu Québec and lastly apply for final certification from SODEC.

This certification procedure is cumbersome and ill-adapted to the foreign film and television production sector. Accordingly, to remedy these difficulties, the current procedure with SODEC will be replaced by a certification mechanism consisting of an approval certificate and an advance ruling. In addition, the final certification stage will be eliminated.

❑ Changes to the SODEC certification procedure

For the purposes of the refundable tax credit for film production services, the expression "eligible corporation", for a taxation year, regarding an eligible production or an eligible low-budget production, as the case may be, means a corporation, other than an excluded corporation that, in the year, has an establishment in Québec and whose activities consist chiefly in carrying on a film or television production business, or a film and television production services business, that is an eligible business, and that:

— either owns the copyright on the production throughout the period during which it is carried out in Québec;

— or has entered into, directly with the owner of the copyright on the production, a contract for the delivery of film production services in relation to such production in the case where the owner of the copyright is not an eligible corporation regarding such production.

An eligible production is a production that is not an eligible low-budget production. An eligible low-budget production is a production whose production budget does not exceed:

- in the case of a production that is part of a multi-episode series of television productions, or that is the pilot show of such a series of episodes, $100 000 where the length of the production is less than 30 minutes, and $200 000 in other cases;
- in the case of any other production, $1 000 000.

No base rate is stipulated for an eligible low-budget production, but it can give rise to tax assistance equal to 20% of labour expenditures, otherwise eligible for the tax credit, that relate to the production of computer-aided special effects and animation for use in such a production.

However, both in the case of an eligible production and that of an eligible low-budget production, SODEC must first certify that the production satisfies the form and content criteria imposed on a production that gives rise to the tax credit for film production services. SODEC issues only one advance ruling in relation to such a production.

SODEC must then confirm the corporation's ownership of the copyright on the production by analyzing the title chain or, if the corporation does not own the copyright, SODEC must then establish the presence of a contractual link with the owner of the copyright, even though the verification of a corporation's eligibility is ultimately the responsibility of Revenu Québec.

Lastly, SODEC carries out a quantitative assessment of the file by drawing up a list of budgetary items that can benefit from the improvement for computer-aided special effects and animation, if applicable, and determine, as an indication, the amount of the tax credit for film production services to which the corporation should be entitled.

To streamline the administrative procedure for applications filed with SODEC in the course of the sectoral administration of the tax credit for film production services, changes will be made to the certification criteria of a production as well as to the terms and conditions of such certification.[31]

More specifically, in the course of the administration of the tax credit for film production services, SODEC will henceforth issue an approval certificate for an eligible production to a corporation that is the owner of the copyright on the eligible production throughout the period during which the production is made in Québec, and submits an application to it for such certification.

31 These amendments will be included in the parent legislation that will encompass the non-tax parameters of certain fiscal measures, whose introduction was announced in *Information Bulletin 2007-10*, page 16.

The approval certificate issued for an eligible production will certify the eligibility of the production for the purposes of the tax credit for film production services. More specifically, SODEC will have to certify that the production covered by the approval certificate satisfies the form and content criteria imposed on a production that gives rise to the tax credit for film production services, that it is not an excluded production and that its production budget meets the required amount in the case of an eligible production.

An approval certificate may also be issued for an eligible low-budget production, i.e. a production whose production budget does not exceed the applicable amount. In such a case, the approval certificate issued by SODEC must certify the eligibility of the production as well as the fact that the production budget does not exceed the applicable amount.

SODEC must then confirm the corporation's ownership of the copyright on the production.

Where the corporation that owns the copyright is not an eligible corporation, a copy of the approval certificate must then be sent by the corporation that owns the copyright to any corporation that is eligible under a direct contractual link with it and that provides services in Québec regarding the eligible production, so that the eligible corporation can claim a tax credit for film production services on its eligible labour expenditures.

After SODEC issues an approval certificate, an eligible corporation, either the owner of the copyright or, where the owner is not an eligible corporation, a corporation that directly entered into a contract with the owner of the copyright for the delivery of production services in relation to the production, will have to apply for an advance ruling. In the latter case, SODEC must, to qualify the corporation as an eligible corporation, establish the presence of a direct contractual link with the corporation that owns the copyright.

The application for an advance ruling must be accompanied by a copy of the approval certificate so that SODEC can identify the eligible production.

The advance ruling issued by SODEC must identify the eligible corporation and the items that can benefit from the improvement for computer-aided special effects and animation, if any.

Lastly, the final certification stage will be eliminated because this stage, which is necessary for the purposes of the refundable tax credit for Québec film and television production, is not for the purposes of the refundable tax credit for film production services since, in the latter case, SODEC does not have to validate the criteria relating to the Québec content of a production.

These changes will apply to a certification application filed with SODEC after the day of the Budget Speech.

❑ Concordant change

Since Revenu Québec is responsible for calculating the tax credit for film production services to which an eligible corporation is entitled, Revenu Québec must also determine whether the corporation that applies for the tax credit is an eligible corporation. In the last analysis, it is therefore up to Revenu Québec to qualify the eligible corporation.

However, SODEC previously had to carry out an initial examination of the title chain to satisfy itself as to the identity of the corporation that owns the copyright on the production. SODEC also had to establish whether a corporation entered into, directly with the owner of the copyright on the production, a contract for the delivery of film production services, in the case where the owner of the copyright is not an eligible corporation.

In view of the fact that SODEC must carry out an analysis of the ownership of the copyright and, if applicable, note the presence of a contract for the delivery of production services, and that it has the necessary expertise for such activities, the responsibility for qualifying the eligible corporation regarding these two criteria will be entrusted solely with SODEC. For greater clarity, Revenu Québec will retain responsibility for determining the presence of the other items necessary for qualifying a corporation as an eligible corporation.

More specifically, the tax legislation will be amended so that, for the purposes of the tax credit for film production services, an eligible corporation, for a taxation year, regarding an eligible production, means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec and whose activities consist chiefly in carrying on a film or television production business or a film or television production services business there, that is an eligible business and regarding which SODEC certifies, in the advance ruling that it issues to the corporation, that the latter is an eligible corporation.

Moreover, SODEC may consult Revenu Québec in the course of the analysis of the copyright ownership and the presence of a direct contractual link for the purposes of determining a corporation’s eligibility for the tax credit for film production services. For greater clarity, only the information SODEC needs for the purposes of such determination will be forwarded to it, in order to preserve the otherwise confidential nature of the information obtained by the Revenu Québec in the course of applying a tax law.

This change will apply to a certification application filed with SODEC after the day of the Budget Speech.

2.4.5 Clarification to the improvement relating to certain Québec film or television productions that do not receive any financial assistance granted by a public organization

In the economic statement of January 14, 2009, many changes applicable, generally speaking, in relation to eligible labour expenditures incurred as of January 1, 2009, were made to the refundable tax credit for Québec film and television production.[32] In particular, the base rates of this tax credit were raised.

Accordingly, this tax credit, which applies to labour expenditures incurred by a corporation that produces a Québec film, corresponds in general to 35% or 45% of such expenditures. However, the labour expenditures giving rise to this tax credit may not exceed 50% of the production costs of the film, so that the tax assistance generally may not exceed 17.5% or 22.5% of such costs.

For the purposes of calculating this tax credit, the 45% rate applies regarding labour expenditures relating to the production of certain feature, medium and short films, certain broadcasts intended for young people and certain documentaries, when they are in French and satisfy the other conditions otherwise stipulated. The situation is the same in the case of giant screen films regardless of language. To that end, a feature, medium or short film must not be part of a miniseries or a series.[33]

Moreover, to ease the financial burden on producers that make film or television productions for which no financial assistance is granted by a public organization, an increase of 10% of the labour expenditures giving rise to the tax credit for Québec film and television production was introduced regarding some of these productions.

More specifically, the new 10% increase applies to a production that is eligible for the tax credit for Québec film and television production and that is a fiction feature film or a single documentary, provided such production is not covered by any financial assistance provided by a public organization.

To qualify, a fiction feature film must be a fiction production lasting a minimum of 75 minutes, and a single documentary must last a minimum of 30 minutes, except in the case of a single documentary intended for children under age 13.

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32 MINISTÈRE DES FINANCES DU QUÉBEC, see above, note 28.

33 A miniseries is a production consisting of at least two episodes and no more than six episodes while a series is a production consisting of seven episodes or more.

In addition, financial assistance granted by a public organization, for determining eligibility for the improvement, means, in general, financial assistance that consists of an excluded amount of assistance for the purposes of the rules relating to government or non-government assistance for the purposes of the tax credit.[34]

The objective of the new improvement is to support the work of producers that make Québec film and television productions not covered by financial assistance granted by a public organization, provided such productions are works of fiction or documentaries and run, in general, for a minimum length of time established depending on the type of production.

To be useful and effective, the new improvement must fully target the type of film or television productions actually made by such producers. In this sense, whether a fiction production lasting a minimum of 75 minutes is part of a miniseries or a series should not be an obstacle to obtaining the improvement to the tax assistance.

Consequently, a clarification will be made, for the purposes of the improvement in relation to certain productions not covered by financial assistance granted by a public organization, so that a miniseries or a series of which each episode is a fiction production lasting a minimum of 75 minutes is an eligible production for the purposes of this improvement. For greater clarity, each episode of the miniseries or series must otherwise constitute a production eligible for the tax credit.

❑ Certificate issued by SODEC

To be entitled to the additional tax assistance of 10% regarding a film or television production, the certificate issued by SODEC for the production, which the eligible corporation must attach to the form it must file to obtain the tax credit for Québec film and television production, must indicate that the production is a fiction feature film or a single documentary, as the case may be.

In view of the clarification made, the certificate issued by SODEC must henceforth indicate that the production is a fiction feature film, a miniseries or series each of whose episodes is a fiction production lasting a minimum of 75 minutes or a single documentary, as the case may be.

34 For greater clarity, financial assistance granted by a public organization does not include an amount a corporation receives on account of the tax credit for Québec film and television production or on account of a federal tax credit for Canadian film or video production or on account of a federal tax credit for film or video production services. It neither includes the amount of any financial contribution paid by a public body that holds a broadcasting license issued by the Canadian Radio-television and Telecommunications Commission.

❑ Application date

Like the improvement in relation to certain productions not covered by financial assistance granted by a public organization, this change will apply to eligible labour expenditures incurred as of January 1, 2009.

2.5 Changes to the refundable tax credit for the development of e-business

A refundable tax credit for the development of e-business in information technologies was introduced in the March 13, 2008, Budget Speech.[35] Adjustments to this measure were subsequently announced on May 15, 2008.[36]

Briefly, this tax credit, whose rate is 30%, is granted to an eligible corporation regarding the salaries paid to eligible employees for carrying out eligible activities.

Essentially, this tax credit was implemented to consolidate the development of the information technology sector throughout Québec.

Follow-up on this measure since its introduction has pointed to the need to make certain adjustments to its eligibility conditions to better reflect its objective.

Accordingly, changes will be made to the tax credit for the development of e-business to facilitate the qualification of certain corporations operating in the information technology sector. In this regard, changes will be made to the criteria used to determine whether a corporation is an eligible corporation.[37]

❑ Eligible corporation

According to the existing terms and conditions, to receive the tax credit for the development of e-business, a corporation must obtain, each year, an eligibility certificate from Investissement Québec confirming, among other things, that it has satisfied the criterion relating to the proportion of activities in the information technology sector and the one relating to services supplied.

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35 MINISTÈRE DES FINANCES DU QUÉBEC, see above, note 27, p. A.79.

36 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2008-4*, May 15, 2008.

37 *Supra*, note 31.

■ Criterion relating to the proportion of activities in the information technology sector

To receive the tax credit for the development of e-business, at least 75% of the corporation's activities must, for the taxation year, be activities in the information technology sector.

In that regard, activities in the information technology sector mean the activities included under code 541510 of the North American Industry Classification System (NAICS code).[38]

This NAICS code targets establishments whose chief activity is to supply expertise in the information technology field. The notion of an establishment whose chief activity consists in carrying out certain particular activities was not adopted to determine whether at least 75% of a corporation's activities constituted activities in the information technology sector.

In fact, the corporation's gross income is the criterion taken into consideration to make such a determination. A corporation is therefore considered as having carried out at least 75% of its activities in the information technology sector where the gross income from such activities accounts for at least 75% of its total gross income, in relation either to the taxation year preceding the one covered by the eligibility certificate application, or to the taxation year covered by such an application. This condition, which is a non-tax parameter, is administered exclusively by Investissement Québec.

Moreover, assuming the taxation year preceding the one covered by the eligibility certificate application had fewer than 183 days, the gross income considered is that of the last taxation year prior to such given taxation year, that had more than 182 days.

38 A description of this code is available on the Statistics Canada website: <http://www.statcan.gc.ca/subjects-sujets/standard-norme/naics-scian/2007/list-liste-eng.htm> (site consulted on March 13, 2009).

■ Criterion relating to services supplied

In addition to the criterion relating to the proportion of its activities in the information technology sector, a corporation must, to qualify as an eligible corporation, satisfy a criterion relating to services supplied. A corporation satisfies this criterion where at least 75% of its activities carried out in the information technology sector consist either of:

— services ultimately supplied to a person[39] with whom it is at arm's length;[40]

— or services relating to applications developed by the corporation that will be used exclusively outside Québec;

— or a combination of the above two items.

In this regard, the services supplied by a corporation to the members of a cooperative or a federation of cooperatives are considered as services supplied to a person with whom it is not at arm's length where the corporation that supplies the services is not at arm's length with the cooperative or the federation of cooperatives.

Moreover, the gross income from activities in the information technology sector is the criterion considered for determining whether at least 75% of the activities carried out by a corporation in the information technology sector consist of services ultimately supplied to persons with whom it is at arm's length or services relating to applications developed by the corporation that will be used exclusively outside Québec.

Accordingly, a corporation satisfies the criterion relating to services supplied where its gross income from activities in the information technology sector, attributable either to services supplied to persons with whom it is at arm's length, or to services relating to applications used exclusively outside Québec, or to a combination of these two items, accounts for 75% or more of the gross income from its information technology activities, in relation to the taxation year covered by the eligibility certificate application.

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39 For the purposes of this rule, a person includes a partnership.

40 The expression "services ultimately supplied to a person" does not mean services supplied to the ultimate consumer of the goods and services supplied by such person, but rather the services supplied, directly or indirectly, to the businesses or organizations that are the direct users of the applications developed by the corporation.

■ Changes to the criterion relating to the proportion of activities in the information technology sector

The condition requiring that at least 75% of the corporation's activities must constitute activities in the information technology sector (NAICS code 541510) may be too restrictive.

In this context, the notion of activities in the information technology sector will be broadened, exclusively for the purposes of the criterion relating to the proportion of activities in the information technology sector, to include the activities encompassed by an additional six NAICS codes. Accordingly, for the purposes of this criterion, activities in the information technology sector mean activities included in the following NAICS codes:

- 334110 Computer and Peripheral Equipment Manufacturing;
- 334220 Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing;
- 417310 Computer, Computer Peripheral and Pre-Packaged Software Wholesaler-Distributors;
- 443120 Computer and Software Stores;
- 511210 Software Publishers;
- 51821 Data Processing, Hosting and Related Services;
- 541510 Computer Systems Design and Related Services.

As in the case of NAICS code 541510, the notion of establishment whose chief activity consists in carrying out certain specific activities will not adopted to determine whether at least 75% of a corporation's activities constituted activities in the information technology sector.

Accordingly, a corporation will be considered as having carried out at least 75% of its activities in the information technology sector, according to this broader definition, where the gross income from such activities accounts for at least 75% of its total gross income.

However, an additional condition must be satisfied, i.e. that at least 50% of the corporation's gross income be earned from activities included under NAICS code 511210 (Software Publishers), activities included under NAICS code 541510 (Computer Systems Design and Related Services) or a combination of these activities.

This additional condition must also be satisfied in relation either to the taxation year preceding the one covered by the eligibility certificate application, or to the taxation year covered by such an application. For greater clarity, both conditions, i.e. the one regarding 75% based on the seven NAICS codes and the one regarding 50% based on only two NAICS codes, must be satisfied in the same taxation year.

■ Correlative change to the criterion relating to services supplied

As currently formulated, a corporation satisfies the criterion relating to services supplied where its gross income from activities in the information technology sector, attributable either to services supplied to persons with whom it is at arm's length, or to services relating to applications used exclusively outside Québec, or to a combination of these two items, accounts for 75% or more of the gross income from its information technology activities, in relation to the taxation year covered by the eligibility certificate application.

As indicated above, the notion of activities in the information technology sector will be broadened, exclusively for the purposes of the criterion relating to the proportion of activities in the information technology sector, to include the activities encompassed by the additional six NAICS codes. Consequently, for the purposes of the criterion relating to services supplied, only the activities included under NAICS code 541510 (Computer Systems Design and Related Services) will continue to be considered.

Accordingly, a corporation will satisfy the criterion relating to services supplied where its gross income from activities included under NAICS code 541510 (Computer Systems Design and Related Services), attributable either to services supplied to persons with whom it is at arm's length, or to services relating to applications used exclusively outside Québec, or to a combination of these two items, accounts for 75% or more of its gross income from its activities included under NAICS code 541510 (Computer Systems Design and Related Services), in relation to the taxation year covered by the eligibility certificate application.

❑ Application date

These changes will apply regarding salaries incurred by an eligible corporation and paid to eligible employees after March 13, 2008, and before January 1, 2016.

2.6 Changes to the refundable tax credit for design

A corporation that has an establishment in Québec and carries on a business there can receive tax assistance consisting of a refundable tax credit for the design activities such corporation carries out or has carried out on its behalf, in Québec, in relation to such business.[41] In this regard, the corporation must satisfy a criterion regarding production of goods in Québec.

Briefly, the refundable tax credit for design applies regarding certain expenditures that an eligible corporation incurs to carry out fashion design or industrial design activities. The first component of this refundable tax credit concerns fashion design or industrial design activities carried out as part of an external consulting contract. The second covers salary expenditures incurred by a corporation regarding the designers and patternmakers it employs.

In general, the minimum percentage of goods the corporation must make or have made in Québec, as far as the fashion sector is concerned, is 20%. The minimum percentage of production in Québec for the industrial sector is generally 50%.

The rate of the tax credit is 15% and it can rise to as much as 30% in the case of a corporation that qualifies as an SME.[42] However, the amount of the tax credit is subject to an annual cap. In general, the maximum annual amount of this tax credit is $9 000 in the case of work done by a designer, and $6 000 in the case of work done by a patternmaker. These amounts can rise to as much as $18 000 and $12 000 respectively if the corporation qualifies as an SME.

❑ Changes to the definition of an eligible design activity

Currently, industrial design means, for the purposes of the refundable tax credit for design, a planning and design activity based on an economic, ergonomic and aesthetic analysis of structures, and whose goal is to determine the formal qualities of products to be produced on an industrial basis, but does not include interior design, management design, graphic design or engineering.

Fashion design designates a creative activity consisting in determining the formal properties of clothing products to be produced on an industrial basis. Fashion design is an iterative process that establishes a relation between materials, colours, cut and function, to meet physiological requirements, industrial constraints and market conditions. In addition, fashion design includes pattern-drawing activities.

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41 A corporation that is a member of a partnership can also receive the refundable tax credit for design.

42 An SME is a corporation whose assets, including the assets of associated corporations calculated on a world basis, do not exceed $75 million for the preceding fiscal year. The rate is 30% up to $50 million of assets. It is gradually reduced to 15% when the corporation's assets reach $75 million.

In practical terms, the design activities currently recognized regarding the industrial and fashion sectors consist of design activities for goods made on an industrial basis.

In this context, the definition of an eligible design activity, for the purposes of the refundable tax credit for design, will be changed so that it no longer refers to the industrial sector or to the fashion sector, but rather to the design of goods made on an industrial basis.[43]

In this regard, the design of goods made on an industrial basis means a creative activity that stems from a systematic and documented approach that seeks to determine the formal, functional and symbolic properties of goods made on an industrial basis.

In addition, the design of goods made on an industrial basis will include pattern-drawing activities. Pattern-drawing consists in designing patterns or making geometrical or technical drawings with a view to processing textiles, leather or fur. It may involve cutting pieces of patterns to enable cutting of the first sample. Pattern-drawing includes the construction of basic gauges, production of technical information sheets and prototype grading and adjustment.

However, the design of goods made on an industrial basis does not include:

- design of software or a website;
- design of a good according to characteristics satisfying the specific needs of an individual who does not carry on a business and who orders such good;
- management design that consists in combining or adapting previously designed products to incorporate them into a specific environment or site;
- graphic design whose objective is to create visual communication objects, i.e. graphic art consisting of a written, figurative or symbolic representation of objects, facts or ideas. However, design activities leading to the printing or the application of graphic art directly on a good made on an industrial basis are eligible. Such graphic art must contribute to enhancing the aesthetic appeal of the good or improving how it is used. In addition, such graphic art must have been created by the designer who may then make different versions, but it must not be a modification or adaptation of existing graphic art or an existing motif. However, design activities consisting in graphic art applied or printed on product packaging, publishing products such as books, publications or promotional documents or on signage equipment are not eligible. In addition, graphic art concerning business logos, advertising, identification codes, safety warnings, the description of a written operating procedure and legally required notices such as the place where the product was manufactured, is not eligible.

43 *Supra*, note 31.

Moreover, the definitions of a designer, a patternmaker and an external consultant will be changed to also refer to the design of goods made on an industrial basis.[44]

❑ Withdrawal of the criterion regarding production in Québec

A corporation that claims the refundable tax credit for design concerning the fashion sector must show that at least 20% of its total production is attributable to goods it made in Québec or that were made in Québec by a subcontractor of the corporation. For the industrial sector, the percentage of production in Québec is 50%.[45] In addition, these percentages are calculated regardless of whether or not the goods are made as a result of an eligible design activity.

It appears that maintaining the criterion regarding the production of goods in Québec, rather than fostering the making of goods in Québec, could thwart the objective of the refundable tax credit for design, i.e. of encouraging Québec companies to carry out design activities in Québec.

Since the tax assistance represented by this tax credit essentially corresponds to an annual amount ranging from $6 000 to $18 000, this tax incentive could prove insufficient to achieve the twofold objective of encouraging Québec companies to carry out design activities in Québec and to make goods here, especially since no link is required between the making of goods in Québec and the design activity for which this tax credit can be granted.

Moreover, since the criterion regarding production of goods in Québec stipulates different percentages depending on whether the industrial sector or the fashion sector is concerned, and that the new definition of eligible design activity no longer refers to these sectors, this criterion could not continue in its existing form and the changes required would complicate the legislation and administration of the tax credit.

Accordingly, to give full effect to the objective of the refundable tax credit for design, the criterion regarding production of goods in Québec will be withdrawn.[46]

44 *Supra,* note 31.

45 The criterion regarding production in Québec does not apply to fashion design activities in the footwear sector and, in view of the fact that companies in the industrial sector are more diverse than those in the fashion sector, it is accepted that a corporation's percentage of production in Québec is less than 50% where the industrial design activity relating to a business carried on by such corporation is of particular interest for Québec. In addition, it is accepted that the percentages of production in Québec are lower for the industrial sector and the fashion sector to allow a business more flexibility in particular where the activities of the business generate substantial economic spin-offs for Québec.

46 *Supra,* note 31.

❑ Application date

These changes will apply regarding design work for goods made on an industrial basis carried out after March 31, 2009, either by a designer or by a patternmaker employed by a corporation that applies for certification with the ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE), or by an external consultant on behalf of such corporation under an external consulting contract entered into after that date.

For greater clarity, these changes will not affect the validity of the eligibility certificates the MDEIE issues before April 1, 2009, in particular those relating to an eligible designer, an eligible patternmaker or an external consultant.

2.7 Application to the *Mining Duties Act* of the rules relating to a return in a functional currency

The *Mining Duties Act* imposes certain obligations on companies subject to the mining duties system, including the filing of a profit and loss return accompanied by a copy of the company's financial statements and the relevant schedules. The Act does not stipulate the filing of such a return in a currency other than the Canadian dollar.

The *Income Tax Act* (Canada) has recently been amended to stipulate that if certain conditions are satisfied, a corporation that is required, for filing its financial statements, to report its income in a currency other than the Canadian dollar, can elect to determine its income, for income tax purposes, in that functional currency.[47]

In this regard, the Minister of Finance announced, in the May 24, 2007 Budget Speech, that Québec's tax legislation would be amended to incorporate the federal measure allowing corporations to determine their income, for income tax purposes, in their functional currency.[48]

Under the current rules, a corporation that already uses a functional currency and that will follow the new rules relating to the use of the functional currency, for income tax purposes, may have to keep a parallel set of books in Canadian dollars solely to satisfy the requirements of the *Mining Duties Act*.

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47 This new measure was announced for the first time by the Department of Finance Canada in *The Budget Plan 2006* (Annex 3, p. 245) and reiterated in *The Budget Plan 2007* (Annex 5, p. 442).

48 MINISTÈRE DES FINANCES DU QUÉBEC, *2007-2008 Budget — Additional Information on the Budgetary Measures*, May 24, 2007, Section A, p. A.29.

Accordingly, to prevent such a situation, the *Mining Duties Act* will be amended to introduce rules to allow the reporting of profit or loss in a functional currency. These rules will be the same, with the necessary adaptations, as those that will be introduced into the *Taxation Act*.[49]

This possibility of filing a profit and loss return in a functional currency will apply to fiscal years for which the filing deadline is after the day of the Budget Speech.

49 For greater clarity, the changes relating to the reporting of income tax in a functional currency mentioned in subsection 4.3 will also be incorporated into the *Mining Duties Act*, with the necessary adaptations.

3. OTHER MEASURES

3.1 Increase in the rate of the Québec sales tax as of January 1, 2011

The government intends to eliminate the budget deficit provoked by the current global financial and economic crisis to restore the structural balance of public finances by fiscal year 2013-2014. Accordingly, the implementation of a plan to begin now to prepare for a return to balanced budgets was announced in the Budget Speech.

This plan, which opts for a gradual approach, stipulates among other things revenue recovery measures including an increase of one percentage point in the rate of the Québec sales tax (QST).

As of January 1, 2011, the rate of the QST will rise from 7.5% to 8.5%. To compensate low- and middle-income households for the increase in their tax burden stemming from this rise, the refundable tax credit for the QST will be increased.

3.1.1 Clarifications relating to the application of the increase in the QST rate

The increase in the QST rate to 8.5% will be applied regarding taxable supplies in relation to which this tax will become payable as of January 1, 2011.

The QST system contains numerous provisions to determine the time when the tax becomes payable by the recipient of the taxable supply of a good or service.

In general, the QST is payable by the recipient on the date of the day when the consideration for the supply is paid or of the day when such consideration becomes due, whichever occurs first. As a result of this rule, the QST is payable on the date of payment of the consideration by the recipient to the supplier or, if earlier, on the date when the latter delivers an invoice to the recipient. In addition, if the date shown on the invoice or the date of payment indicated in a written agreement is prior to the date when the invoice is delivered by the supplier, the QST becomes payable on the date of the first of these two events.

As a result, the time when the QST becomes payable depends on how a transaction bearing on the supply of a good or service is concluded, which evidently differs depending on the nature of the good or service that is the object of the transaction and the type of supply made.

The rules for determining the time when the QST at the 8.5% rate applies, depending on the nature of the good or service supplied and the type of supply made, are described below.

❑ General application rule

■ Movable property and service

The taxable supply of movable property or a service will be subject to the QST at a rate of 8.5%, if all of its consideration becomes due after December 31, 2010 and is not paid before January 1, 2011. In addition, the QST at the 8.5% rate will apply regarding any portion of the consideration of such supply that becomes due after December 31, 2010, and is not paid before January 1, 2011.

However, in the case of the taxable supply of a road vehicle in relation to which the QST payable is generally collected by the Société de l'assurance automobile du Québec, the QST at the 8.5% rate will apply if the tax is payable regarding the supply after December 31, 2010.

■ Immovable

▪ Supply by way of sale

The taxable supply of an immovable by way of sale will be subject to the QST at the 8.5% rate if it is made pursuant to a written agreement concluded after December 31, 2010, according to which the ownership and possession of the immovable are transferred to the recipient after such date.

▪ Supply other than by way of sale

The rules described above regarding the taxable supply of movable property or a service will also apply regarding the taxable supply of an immovable made other than by way of sale.

▪ Construction or renovation contract

The taxable supply in respect of the construction, renovation, alteration or repair of an immovable or a marine vessel will be subject to the QST at the 8.5% rate if it is made pursuant to a written agreement concluded after December 31, 2010.

❑ Specific application rules

■ Continuous supply

The taxable supply of a good or a service delivered or made available continuously by means of a wire, a pipeline or other conduit after December 31, 2010, will be subject to the QST at the 8.5% rate.

In the event that the invoicing of the supply of such good or such service covers a period beginning before January 1, 2011 and ending after December 31, 2010, and, because of the method used to record the delivery of such good or the provision of such service, the supplier is unable to reasonably ascertain the time at which all or part of the good or service is delivered or provided, as the case may be, all of the good or service will be deemed delivered or provided, as the case may be, in equal amounts on each day of the period.

- **Budget payment arrangement with reconciliation**

In the event that the consideration for the taxable supply of a good or service delivered, performed or made available during a period beginning before January 1, 2011 and ending after December 31, 2010, is paid by the recipient pursuant to a budget payment arrangement stipulating reconciliation of payments, the QST will be adjusted, when the supplier issues an invoice to establish such reconciliation, to reflect the value of the good or service delivered, performed or made available before January 1, 2011, regardless of when the consideration for the supply is paid.

- **Exchange of movable property**

In the event that a person who acquires movable property before January 1, 2011 in respect of which he paid the QST at the 7.5% rate returns the movable property to its supplier after December 31, 2010, to exchange it for movable property of the same value, there will be not tax consequence either for the recipient or the supplier, that is to say the QST at the 7.5% rate will not be refunded regarding the returned property, and no QST at the 8.5% rate will apply regarding the other property.

However, if the exchange involves the payment of an additional amount by the recipient, the QST at the 8.5% rate will apply to such amount.

- **Primacy rules**

If one of the provisions respecting the primacy rules under the QST system should apply in respect of a supply with the result that the time of liability corresponds to a date prior to January 1, 2011, the QST at the 7.5% rate will apply.

3.1.2 Concordant adjustments

❑ Rounded-off mathematical factors

Since the QST is calculated on a consideration that includes the goods and services tax (GST) at the 5% rate, the effective rate of the QST is currently 7.875%, while the combined effective rate of the GST and the QST is 12.875%.

However, the QST system authorizes a registrant, in certain circumstances, to calculate the tax payable in respect of a supply it makes using mathematical factors rounded off to 7.87% or 12.87%. A registrant can use these rounded-off mathematical factors if the cash register it normally uses is not sophisticated enough for it to calculate the QST using the real rate of 7.5% or mathematical factors with three decimal places, i.e. 7.875% or 12.875%.

With the QST rate rising to 8.5% as of January 1, 2011, these three-decimal mathematical factors will be 8.925% and 13.925%, with the result that the mathematical factors rounded off to 7.87% and 12.87% will be replaced by factors rounded off to 8.92% and 13.92% respectively as of that date.

❑ Taxable benefit related to the cost of operating an automobile

The QST system stipulates that if a registrant supplies a good or a service to its employee or shareholder giving rise to a benefit whose value must be included in the calculation of the income of the latter pursuant to the *Taxation Act*, the registrant must add, in the calculation of his net tax, an amount of QST determined in respect of this taxable benefit.

In the case of a benefit related to the cost of operating an automobile, the amount of tax to be included in the calculation of the registrant's net tax corresponds to 4.7% of the value of such benefit.

To reflect the increase of one percentage point in the rate of the QST, the 4.7% rate will be raised to 5.4% as of taxation year 2011.

❑ Quick accounting methods

■ Quick method for small businesses

Small businesses whose revenues from taxable supplies do not exceed $215 000 can use a quick method to determine the net tax payable for a reporting period instead of establishing the QST collected on each of their supplies and that paid on most of their purchases. Small businesses that elect to use this method have only to multiply total revenues from their taxable supplies, including GST and QST, by a prescribed rate set at 2.7% for the vendors of corporeal movable properties and 5.3% for other businesses.

To reflect the setting of the QST rate at 8.5%, the prescribed rate will be raised to 3% for vendors of corporeal movable properties and to 6% for other businesses.

■ Quick method for certain public service bodies

Certain public service bodies[50] can use a quick method to determine their net tax payable for a reporting period by applying a prescribed rate to their total revenues from taxable supplies, including GST and QST, instead of establishing the QST collected on each of their supplies and that paid on most of their purchases. The prescribed rate is 4.6% for municipalities and 5.9% for other bodies.

To reflect the rise of the QST rate to 8.5%, the prescribed rate for municipalities will rise to 5.2% and the prescribed rate will rise to 6.6% for other bodies.

■ Application of the new prescribed rates

The new prescribed rates for quick accounting methods will apply to any reporting period starting after December 31, 2010.

❑ Simplified method for calculating rebates regarding an expense account

To facilitate administration of the QST, Revenu Québec allows, by administrative policy, a simplified calculation method to be used to determine the QST rebates an employer, partnership, charity or public institution can claim regarding the expenses reimbursed to an employee, partner or volunteer respectively.

According to this method, the input tax rebates (ITR) of small and medium businesses and the partial QST rebates of charities, qualifying non-profit organizations and selected public service bodies can be established by applying the mathematical factor 7/107 to the total amount of expenses reimbursed instead of calculating the exact amount of tax paid. For large businesses, the mathematical factor applicable is 4.1% because of restrictions on obtaining an ITR applicable to the latter regarding certain goods and services.

The rise in the QST rate will lead to changes in these mathematical factors, which Revenu Québec will specify at a later date.

❑ Other consequential amendments to the QST system

Other consequential amendments will be made to certain provisions of the QST system to reflect the setting of the rate at 8.5%, including those relating to the bringing of property into Québec and those regarding the supply of services or of incorporeal movable property made outside Québec to a resident of Québec.

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50 These are, in particular, municipalities, qualifying non-profit organizations (at least 40% funded by a government or a municipality) and selected public service bodies (schools, non-profit colleges and universities and hospital authorities).

❑ Corresponding increase in the tobacco tax

On June 23, 1998, the QST ceased to apply to tobacco products and was replaced by a corresponding increase in the tobacco tax applicable to these products.

Accordingly, to reflect the rise of one percentage point in the QST rate as of January 1, 2011, the rates of the tobacco tax will be changed as follows as of the same date:

— the rate of the specific tax of 10.3 cents per cigarette will be raised to 10.6 cents per cigarette;

— the rate of the specific tax of 10.3 cents per gram of loose tobacco or leaf tobacco will be raised to 10.6 cents per gram;

— the rate of the specific tax of 15.85 cents per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars will be raised to 16.31 cents per gram; the minimum rate applicable to a tobacco stick will be raised from 10.3 to 10.6 cents per stick.

The rate of the *ad valorem* tax of 80% of the taxable price of cigars will remain unchanged.

■ Taking of inventory

Persons not under an agreement with Revenu Québec that sell tobacco products regarding which the specific tax on tobacco was collected in advance or should have been, must take an inventory of all such products they have in stock at midnight December 31, 2010, and remit, before January 29, 2011, an amount corresponding to the difference between the tax applicable at the new rates and that applicable at the rates in effect before midnight December 31, 2010. The same applies to collection officer under an agreement with Revenu Québec that sell tobacco products regarding which the specific tax on tobacco is paid in advance or has not yet been paid.

Persons required to take an inventory must, for that purpose, use the form provided by Revenu Québec and return it before January 29, 2011. For greater clarity, products acquired by a person before midnight, December 31, 2010 but not yet delivered to him, are to be included in his stock.

3.1.3 Increase in the refundable tax credit for the QST

To maintain the progressive nature of the tax system, a refundable tax credit for the QST is granted to individuals who must allocate a significant share of their income to the consumption of essential goods and services.

Briefly, this tax credit is intended to any individual who, at the end of a year, resides in Québec provided he is, at such time, a person age 19 or over, an emancipated minor within the meaning of the Québec Civil Code, the spouse of an individual or the father or mother of a child with whom he resides.[51]

The tax credit to which an individual may be entitled for a year is established depending on the composition of his household and of his family income (i.e. the individual's net income and, as the case may be, that of his eligible spouse).

For the purposes of calculating this tax credit, a basic amount is allocated to all eligible individuals ($178 in 2009). An amount for spouse ($178 in 2009) or an amount for a person living alone[52] ($121 in 2009) may be added to this amount. The total of the amounts thus granted to a household must be reduced at a rate of 3% for each dollar of the family income that exceeds the applicable reduction threshold.[53]

For taxation year 2009, this tax credit, worth a maximum of $356 in the case of a couple, $299 in the case of a person living alone and $178 in other cases, is reducible where family income exceeds $30 345.

In general, the tax credit granted for a given year is paid in two equal instalments in August and December of the following year.[54] However, to substitute for the advance payment of the tax credit, the basic monthly benefit of adults who, during a year, receive benefits under a last resort financial assistance program[55] is adjusted by an amount representing $^1/_{12}$ of the tax credit to which they would be entitled had they received benefits under such program throughout the entire year.[56]

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51 However, if an individual is, at the end of a year, held in a prison or similar establishment for one or more periods totalling more than six months during the year, he cannot receive this tax credit for the year. This also applies for any individual regarding whom another person benefited, for the year, from certain tax relief measures such as the transfer of the recognized parental contribution.

52 This amount is granted to an individual who does not have an eligible spouse for the year and who, throughout the year, ordinarily lives in a self-contained domestic establishment in which no other person entitled to the tax credit lives.

53 Each of the parameters of the tax credit, except for the 3% reduction rate, is automatically indexed each year.

54 Where the amount of the tax credit determined for a year is equal to or less than $50, it is paid in full during August of the following year.

55 Namely the Social Assistance Program or the Social Solidarity Program stipulated in the *Individual and Family Assistance Act*.

56 The adjustment does not apply to an independent adult who is sheltered, a minor adult who is sheltered with her dependent child and an independent adult required to reside in an establishment of the public health and social services network.

To compensate low- and middle-income households for the increase in the tax burden they will have to bear because of the increase of 1% in the QST rate, the various amounts granted for the purposes of calculating the tax credit will be adjusted upward as of taxation year 2011.

More specifically, for taxation year 2011, the basic amount and the amount for spouse will – after the indexing factor determined for the year is applied to these amounts[57] – by adjusted upward by $75. The amount for a person living alone will, after being indexed for 2011, be adjusted upward by $50.

The upward adjustment may thus reach $150 in the case of a couple, $125 in the case of a person living alone and $75 in other cases. Households whose family income is below the reduction threshold will receive the full amount of the upward adjustment granted.

As of January 1, 2012, the adjusted parameters will again be automatically indexed.

3.2 Major improvements to the SME Growth Stock Plan, which becomes the stock savings plan II

The SME Growth Stock Plan (Accro PME) is a plan to support the capitalization of corporations that was introduced in the April 21, 2005 Budget Speech[58] to replace the stock savings plan (SSP), which was introduced in 1979.

While Accro PME focuses on small companies more than was the case with the SSP and, unlike the SSP, limits the panoply of eligible financial instruments to the common shares of corporations and the securities of certain qualified mutual funds (investment funds) and requires that securities in the target market segment be held almost permanently – obligation of almost permanent coverage[59] –, it essentially repeats the application details of the SSP. In this sense, Accro PME can be described as a second-generation SSP.

57 The indexing factor is applied to the value established, for the preceding year, of the various amounts granted. The result obtained must be adjusted to the nearest multiple of 1 or, if it is equidistant from two multiples of 1, to the higher of the two.

58 MINISTÈRE DES FINANCES DU QUÉBEC, *2005-2006 Budget — Additional Information on the Budgetary Measures*, April 21, 2005, Section 1, p. 62.

59 Briefly, the rules of the Accro PME plan do not require that investors hold the shares or securities acquired under the plan. However, they do require that shares and securities withdrawn from the plan be replaced within a period of not more than three months. Accordingly, an investor who sells a share or a security included in the Accro PME plan must replace such share or security with a qualifying or valid share, or with a qualifying security, before the end of the second month following the month during which the sale occurred. Consequently, pursuant to the rules relating to the obligation of almost permanent coverage, following a sale, a taxpayer has up to three months to cover the deficiency resulting from the sale.

Generally speaking, three types of financial instruments are eligible for Accro PME: a qualifying share, i.e. a common share with full voting rights, non-redeemable and with no fixed dividend, acquired for money as part of a public offering by a qualified issuing corporation under the plan; a qualifying security, i.e. a security issued by an investment fund that makes investments in qualifying shares and is acquired for money by a first acquirer; and lastly, for coverage purposes only, a valid share, i.e. a common share acquired on the secondary market that, had it been issued under the plan, would be a qualifying share issued by a qualified issuing corporation.

Briefly, for the purposes of Accro PME, a qualified issuing corporation is a corporation that, on the date of the receipt of the final prospectus issued by the Autorité des marchés financiers (AMF) or, if applicable, on the date of the filing exemption, satisfies the following conditions:

- it is a Canadian corporation whose assets are less than $100 million (asset criterion);
- its central management is in Québec and more than one half of the wages paid to its employees in the course of its last taxation year ended prior to that date were paid to employees of an establishment located in Québec;
- throughout the preceding twelve months, it carried on a business and had at least five full-time employees who are neither insiders nor persons related to such insiders;
- a maximum of 50% of the value of its assets consists of investments, other than qualified investments.

Accordingly, briefly, an individual who resides in Québec on December 31 of a year can deduct, in calculating his taxable income, for the year, his adjusted cost of a qualifying share[60] or a qualifying security[61] he acquired in the course of the year and included in his Accro PME plan no later than January 31 of the following year. However, the deduction on this account may not exceed 10% of the individual's total income for the year.

60 The adjusted cost of a qualifying share is equal to 100% of the acquisition cost of such share determined without including borrowing, brokerage, custody or other similar expenses associated with the acquisition.

61 The adjusted cost of a qualifying security, for an individual, means the cost of such security, for the individual, determined without including borrowing, brokerage, custody or other similar expenses, multiplied by the percentage stipulated in the final prospectus or that determined in the 60 days following the end of the year in which the offering takes place. Briefly, this percentage is calculated depending on the relative size of the adjusted costs of the shares eligible for the plan acquired by the investment fund compared to the proceeds of the offering of securities of the investment fund.

Moreover, to avoid reducing the deduction to which he is entitled in calculating his taxable income or having to include an amount in calculating his income, in addition to the obligation of almost permanent coverage, an individual must maintain in his Accro PME account, for a minimum of three years, qualifying or valid shares or qualifying securities whose adjusted cost is equivalent to the amounts of the deductions claimed in relation to Accro PME over the preceding three years.

Originally, it was stipulated that Accro PME would terminate on December 31, 2009. In view of the current economic situation, in which, notably, all corporations in general, and the smallest ones in particular, are having difficulty accessing capital, the Accro PME plan will be extended and, for a limited time, the tax benefit afforded by the plan will be enhanced.

Furthermore, to encourage more corporations and investors to make use of this plan, the asset limit of qualified issuing corporations will be raised, the minimum holding period of qualifying shares and qualifying securities by investors will be shortened and the procedure relating to the eligibility of a valid share will be simplified. Lastly, the plan will be renamed the stock savings plan II.

3.2.1 Extension of the plan for five years

As mentioned above, a feature of the current economic situation is notably that all corporations in general, and the smallest ones in particular, are having difficulty accessing capital.

The Accro PME plan can be an additional source of financing for corporations seeking capital. In this regard, it should be noted that Accro PME imposes few constraints on how the proceeds of the offering carried out under the plan can be used.[62]

Accordingly, the Accro PME plan will be extended for five years, i.e. until December 31, 2014.

62 The main constraint involves the acquisition of negotiable shares or securities for investment purposes, though the acquisition of certain controlled subsidiary corporations is allowed. Note that eligibility for the plan could moreover be denied an offering of shares for which the proceeds are used outside Québec and that would result in a tangible decrease in economic activity or of jobs of the issuing corporation in Québec, for instance in a case of off-shoring outside Québec.

3.2.2 Tax benefit increased to 150% for two years

Under the existing tax legislation, the adjusted cost of a qualifying share, a valid share or a qualifying security represents the amount that must be used to determine the tax benefit relating to the Accro PME plan and for the application details of the obligation of almost permanent coverage and the requirement regarding the minimum holding period.

The adjusted cost of a qualifying share or a valid share, for an individual or an investment fund, is equal to 100% of the cost[63] of such share.

In view of the current economic situation and to increase the supply of capital for corporations eligible for the plan, the tax legislation will be amended so that the adjusted cost of a qualifying share or a valid share, for an individual or an investment fund, is raised from 100% to 150% of the cost of such share.

This increase will be temporary. It will apply regarding qualifying shares and valid shares acquired after the day of the Budget Speech and before January 1, 2011 and included in the plan no later than the January 31 following the year of their acquisition.

For greater clarity, the 100% rate will apply once again regarding qualifying shares and valid shares acquired after December 31, 2010 and before January 1, 2015 and included in the plan no later than the January 31 following the year of their acquisition.

3.2.3 Asset limit for an issuing corporation increased to $200 million

Under the existing legislation, to qualify as a qualified issuing corporation under the plan, a corporation must, on the date of the receipt of the final prospectus issued by the AMF or, if applicable, on the date of the filing exemption, among other conditions, satisfy the asset criterion.

Accordingly, its assets must be less than $100 million. In general, the assets considered are those shown in the financial statements of the qualified issuing corporation for the taxation year preceding the one during which it makes a public offering of shares under the plan, and they include the assets of any other corporation with which it is associated, on a world basis, at any time during the twelve months preceding the time of the offering.

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63 Determined without including borrowing, brokerage, custody and other similar expenses associated therewith.

To allow more corporations to benefit from the Accro PME plan and increase the supply of securities for investors, the tax legislation will be amended to raise the asset limit of a qualified issuing corporation from $100 million to $200 million.

This change will apply regarding a public offering of shares for which the receipt for the final prospectus, or the filing exemption, as the case may be, is granted after the day of publication of the Budget Speech. It will also apply regarding a registration application of a valid share on the AMF list made after the day of the Budget Speech.

3.2.4 Minimum holding period reduced by one year

According to the existing tax legislation, to keep the tax benefit relating to the acquisition of qualifying shares or securities included in the Accro PME plan, an investor must hold shares or securities in his plan for a certain period of time (minimum holding period).

However, to satisfy this minimum holding period, the investor need not keep the shares or securities he originally acquired. Briefly, the investor need only hold in his plan, on December 31 of the year of acquisition as well as on December 31 of the three subsequent years, qualifying shares, qualifying securities or valid shares for which the total adjusted cost is at least equivalent to the amount of the deductions claimed under the plan over the preceding three taxation years.

Accordingly, to make the shares and securities issued under the Accro PME plan more attractive to investors, the length of the minimum holding period will be reduced by one year.

The tax legislation will therefore be amended so that an investor satisfies the minimum holding period requirement where he holds in his Accro PME plan, on December 31 of the year of acquisition as well as on December 31 of the two subsequent years, qualifying shares, valid shares or qualifying securities for which the total adjusted cost is at least equivalent to the amount of deductions claimed under the Accro PME plan over the preceding two taxation years.

This change will apply as of calendar year 2009.

3.2.5 Simplification of the procedure for registering a valid share on the AMF list

To satisfy its obligations relating to the minimum holding period and almost permanent coverage, an Accro PME investor can purchase a share on the secondary market to replace a qualifying share or security withdrawn from the plan. Under the Accro PME plan, this transaction is known as a “covering transaction” and the replacement share that can be acquired on the secondary market is called a “valid share”.

Briefly, a valid share is a share entered on the list established to that end by the AMF (AMF list) and acquired by the Accro PME investor in a transaction carried out on a stock exchange in Canada.

The AMF list is published in the weekly AMF newsletter available on its website.[64] Essentially, this list includes the names of the qualified issuing corporations that have made an Accro PME offering during a period of no more than four years.[65] In addition, a corporation that has not made a public offering under the Accro PME plan can also be included on the AMF list if it satisfies certain requirements and if it applies for registration with Revenu Québec by requesting an advance ruling.[66]

Accordingly, to be registered on the AMF list, a corporation that has not made an offering under the plan must obtain an advance ruling from Revenu Québec confirming that the corporation's capital stock includes a class of shares listed on a stock exchange in Canada that satisfy the definition of qualifying shares[67] and that at the time of the request, the corporation satisfies the requirements of the definition of qualified issuing corporation.

Experience shows that the advance ruling request mechanism a corporation must follow to be included on the AMF list is complex.

Accordingly, to encourage more corporations to register for the AMF list, the current advance ruling application procedure will be replaced with an application to Revenu Québec made on a prescribed form.

More specifically, the prescribed form must be signed by a director of the corporation certifying that the corporation's capital stock includes a class of shares listed on a stock exchange in Canada that satisfy the definition of qualifying shares and that at the time of the application, the corporation satisfies the requirements of the definition of qualified issuing corporation.

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64 <http://www.lautorite.qc.ca/bulletin.en.html> (site consulted March 13, 2009).

65 In other words the period beginning the day where the receipt for the final prospectus or the filing exemption in relation to the offering was granted, and ending either the fourth December 31 following that day, or the third December 31 following that day if that day was a December 31, or on the date of a new public offering of shares if, at that time, the issuing corporation no longer satisfied the criteria for qualifying as a qualified issuing corporation.

66 A corporation that obtains such eligibility designation can remain registered on the AMF list according to the same rules as those applicable to other corporations thus registered, the date of the advance ruling taking the place of the date the receipt of the final prospectus or the filing exemption is obtained in order to determine the date as of which the registration period begins to run.

67 Leaving aside the requirement regarding the reference to the SME Growth Stock Plan in the final prospectus and that regarding the obtaining of a favourable advance ruling from Revenu Québec.

The corporation will have to enclose with the prescribed form the description of its capital stock as well as its consolidated and non-consolidated financial statements. If applicable, Revenu Québec will respond favourably to the application by recognizing the eligibility of the class of shares concerned of the corporation on the AMF list. In addition, provided the corporation so requests on its application with Revenu Québec on the prescribed form, the latter will advise the AMF of the name of the corporation and the designation of the class of shares of its capital stock whose shares can constitute valid shares.

This new procedure for inclusion on the AMF list will apply regarding an application submitted after June 30, 2009.

3.2.6 Accro PME becomes SSP II

The objective of the Accro PME plan is similar to that of the former SSP and most of its application details have been drawn from the latter.

When the plan was introduced in April 2005, the name “SME Growth Stock Plan” was chosen to highlight the major changes in the new plan compared to the former SSP, and to avoid any confusion between the new plan and the earlier one since the two plans existed side by side for a temporary period.[68]

The SSP was introduced in 1979. While major adjustments were made to the plan from time to time, the name was never changed. Consequently, the expressions “stock savings plan” and “SSP” were part of Québec’s tax landscape for more than 25 years. Because of this longevity, these expressions have more or less acquired a generic status in Québec designating succinctly a tax system that enables a taxpayer-shareholder to deduct, in calculating his taxable income, the cost of his investment in a Québec public corporation.

While Accro PME is in fact a second generation SSP, it does not enjoy the profile of the SSP, as taxpayers are not aware of the two plans’ shared lineage. Furthermore, it would even appear that the simple fact of describing Accro PME as a plan supporting capitalization but that is not the SSP reduces taxpayers’ interest in such a plan.

Consequently, since the side-by-side existence of Accro PME and the SSP is no longer a problem, and the termination of the SSP more than three years ago has resulted in sufficient distance to avoid confusion between the two plans, the name “SME Stock Growth Plan” will be replaced by “stock savings plan II” as of the day following the day of the Budget Speech.

68 When the SSP was terminated in April 2005, it was stipulated that some financial instruments issued under the SSP and including certain specific features – conversion right, subscription right or rights arising from an option or shareholder plan – would continue to afford tax benefits for their holders if they were exercised or taken up, as the case may be, no later than December 31, 2005. Accordingly, Accro PME and the SSP coexisted for part of 2005.

3.3 Temporary increase in the tax credit for the acquisition of shares issued by Fondaction

Fondaction, the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, is a labour fund that, while making it easier for workers and the general population to save for retirement, contributes through its investments to maintaining and creating jobs and stimulating Québec's economy. From the time of its creation, Fondaction has also had the mission of being more accessible to businesses engaged in a participative management process, businesses in the social economy – cooperatives or non-profit organizations – and businesses concerned by the environment and more sustainable development.

Since 1995, the Québec government has supported Fondaction and contributed to its growth by granting a tax benefit to individuals who acquire its shares. This tax assistance consists of a non-refundable tax credit.

As a general rule, an individual who acquires, as first purchaser, shares issued by a labour fund[69] is entitled to a non-refundable tax credit equal to 15% of the issue price paid for such shares, up to a total tax credit of $750 per year, which represents share purchases for an amount equal to $5 000. Any unused portion of this tax credit can be carried forward to subsequent years, subject however to the annual limit of $750.

Currently, Fondaction is not sufficiently capitalized and thus its ability to act is limited. As a result, it cannot fully achieve its mission as a financial partner. In addition, lacking economies of scale, its operating expenses remain high, which affects its return.

Accordingly, to enable Fondaction to achieve optimum capitalization to pursue its mission, the rate of the tax credit for the acquisition of shares issued by Fondaction will be temporarily raised to 25%, for any share or fraction of a share acquired after May 31, 2009, and no later than the ending date of the fiscal year at the end of which Fondaction first reaches a capitalization of at least $1.25 billion.

For greater clarity, the total amount of the issue price of shares acquired from a labour fund that an individual may include for the purposes of calculating, for a given taxation year, the tax credit for the acquisition of shares issued by a labour fund will remain equal to $5 000.

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69 Either a class "A" or class "B" share issued by Fondaction or a class "A" share issued by the Fonds de solidarité FTQ.

For any share or fraction of a share issued by Fondaction that is purchased as of the date of the beginning of its first fiscal year following the one at the end of which it first reaches a capitalization of at least $1.25 billion, the rate of the tax credit applicable to the issue price paid for such share or fraction of a share will be reduced from 25% to 15%.

Currently, individuals who purchase shares of Fondaction by means of a withholding on their pay receive, as such purchases are made, all or almost all of the tax credit to which such purchases can give rise, since their employers are authorized to take this tax relief into consideration in determining the amount of tax to withhold on their remuneration.

To better reflect the temporary increase in the rate of tax credit for the acquisition of Fondaction shares, changes will be made to the tax regulations to stipulate that, where the amount of tax an employer must deduct from an employee's remuneration is not established according to a mathematical formula authorized by the Minister of Revenue, an amount equal to 125% (instead of 75%) of the amount the employer withholds on the employee's remuneration, for the purchase by the latter, as first purchaser, of shares issued by Fondaction, must be deducted from the amount of remuneration paid to the employee to calculate the amount of his pay subject to tax withholding.[70]

The mathematical formulas authorized by the Minister of Revenue will also be changed to reflect the temporary increase in the rate of tax credit.

These changes will apply regarding a pay period that begins after May 31, 2009 and ends no later than the ending date of the fiscal year at the end of which Fondaction first reaches a capitalization of at least $1.25 billion.

Moreover, to control the tax expenditure attributable to this new government support, a limit will be imposed on the capital that Fondaction may collect during its coming fiscal years. Accordingly, for its fiscal year beginning June 1, 2009 and for any subsequent fiscal year, Fondaction will be authorized to collect a maximum of $150 million, as long as it has not reached, for the first time at the end of a fiscal year, at least $1.25 billion in paid-up capital regarding shares and fractions of shares issued and outstanding.

In the event where, at the end of a given fiscal year, the amount of paid-up capital regarding all the shares and fractions of shares issued by Fondaction in the course of such fiscal year exceeds $150 million, Fondaction will have to pay a special tax to the Minister of Revenue, no later than the 90th day following the end of such fiscal year.

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70 For greater clarity, the total of the amounts withheld for the acquisition of shares of a labour fund on the salary of an employee that an employer can include for the purposes of calculating, for a given year, the tax withholding will be equal to $5 000.

For a given fiscal year, this special tax will be equal to 25% of the amount by which the paid-up capital regarding all the shares and fractions of shares issued by Fondaction in the course of such fiscal year exceeds $150 million.

3.4 Recognition of investments by the Fonds de solidarité FTQ in an emergency fund for the recovery of businesses and in a fund to finance sectoral venture capital funds

Since the creation of the Fonds de solidarité des travailleurs du Québec (F.T.Q.), also known as the “Fonds de solidarité FTQ”, the government has supported its mission by allowing it to collect capital enjoying a tax benefit consisting of a non-refundable tax credit to individuals who become its shareholders.

Since this investment fund’s financing is made easier by granting a tax benefit, an investment requirement was included in its statute of incorporation to ensure, in particular, that the funds collected are used as a financing tool contributing to the development of Québec entities.

Accordingly, for each fiscal year, the eligible investments of the corporation – that include no security or hypothec – must represent, on average, at least 60% of the average net assets of the corporation for the preceding fiscal year.

If, for a given fiscal year, the investment requirement, hereunder called the “60% requirement”, is not satisfied, the Fonds de solidarité FTQ is systematically limited in its capacity to issue shares during the following fiscal year.

Over the years, the 60% requirement has been changed to adapt it to the capital requirements of Québec companies and to enable the Fonds de solidarité FTQ to play a larger role in Québec's economy.

Currently, for the purposes of the 60% requirement, the Fonds de solidarité FTQ’s eligible investments include, among others, investments in eligible Québec companies, investments in new or substantially renovated immovable property[71] producing income,[72] investments in major projects with a structuring effect on Québec's economy, strategic investments made in accordance with an investment policy approved by the Minister of Finance and investments made in certain local venture capital funds created and managed in Québec.

71 Other than immovable properties located in Québec and intended primarily for use as commercial centres, unless as part of a project in the recreational tourism sector.

72 Up to 5% of the net assets of the Fonds de solidarité FTQ at the end of the preceding fiscal year.

To recognize the participation of the Fonds de solidarité FTQ in two new funds whose implementation is being announced in the Budget Speech, changes will be made to the *Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.)*.

❑ Investments in an emergency fund for the recovery of businesses

The current global financial and economic calamity is affecting all companies in Québec. For medium and large companies, the situation is causing, among other things, liquidity problems that could delay their investment projects.

To complete the panoply of financial products available to Québec companies affected by the current economic situation, the government is announcing the implementation of an emergency fund for the recovery of businesses.[73]

Intended for medium and large private and public companies, this fund will be managed by a limited partnership whose capitalization will be provided by the Société générale de financement du Québec and the Fonds de solidarité FTQ.

To recognize the contribution of the Fonds de solidarité FTQ to this initiative supporting companies, investments[74] made by the Fonds de solidarité FTQ in the emergency fund for the recovery of businesses – as well as investments that have been agreed and for which funds have been committed but not yet disbursed[75] at the end of a given fiscal year –, will be considered as eligible investments for the purposes of calculating the 60% requirement applicable to it.

❑ Investments in a fund to finance sectoral venture capital funds

Since 2004, the Québec government has changed its venture capital strategy and fostered greater involvement of the private sector in this industry. Today, this change of course is well-established as indicated by the presence in Québec of 18 new private venture capital funds.

In the short term, the recapitalization of these funds will require significant investments. However, in the current economic situation, investors are little inclined to participate in a new round of financing. Without adequate financing of Québec's venture capital industry, the development of emerging technology companies could be compromised.

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73 Section B, subsection 1.1.1.

74 Including no security or hypothec.

75 For greater clarity, these investments will not be included in the calculation of the allowable 12% limit applicable to non-disbursed investments.

To consolidate the gains of the new direction and ensure a sufficient supply of venture capital to support the development of Québec technology companies, the government is announcing the creation of a fund to finance sectoral venture capital funds.[76]

With initial capitalization of $700 million from contributions by the Québec government – through its mandatary Investissement Québec –, the Fonds de solidarité FTQ and the Caisse de dépôt et placement du Québec, this financing fund, to be constituted as a limited partnership, will invest in 15 to 20 venture capital funds.

To recognize the contribution of the Fonds de solidarité FTQ in the implementation of this fund designed to finance sectoral venture capital funds, the investments[77] made by the latter in that fund – as well as the investments that are agreed and for which funds have been committed but not yet disbursed[78] at the end of a given fiscal year –, will be considered eligible investments for the purposes of calculating the 60% requirement applicable to it.

3.5 Introduction of a refundable tax credit for the acquisition or lease of a new green vehicle

Since 2006, the government has been implementing its plan to combat climate change.[79] This action plan includes specific targets to achieve the objectives of the Kyoto Protocol by 2012.

Concerning per capita emissions of greenhouse gases, Québec boasts the best record in Canada. This is attributable to the good performance of its manufacturing sector, more intensive use of public transit, a more fuel-efficient motor vehicle fleet, and especially the preponderant position of hydro-electricity in its energy portfolio, a source of clean and renewable energy.

While Québec's motor vehicle fleet is one of the best performing in Canada in terms of fuel consumption, it is still the case that transportation is the economic sector that emits the greatest proportion of greenhouse gas emissions, which are rising constantly.

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76 Section B, subsection 2.3.2.

77 *Supra,* note 74.

78 *Supra,* note 75.

79 MINISTÈRE DU DÉVELOPPEMENT DURABLE, DE L'ENVIRONNEMENT ET DES PARCS, *Plan d'action 2006-2012 — Le Québec et les changements climatiques — Un défi pour l'avenir*, 2006.

Numerous actions have already been taken to reduce emissions from this sector and substantial resources have been allocated to them. However, much remains to be done to achieve the greenhouse gas emission reduction objectives Québec has set for itself. Drawing inspiration from California, the plan to combat climate change stipulates the use of intervention levers so that manufacturers of light vehicles sold in Québec comply with greenhouse gas emission standards as of 2010.

Wishing to build a society where sustainable development is at the centre of collective choices and priorities, Québec is the first province in Canada to announce its intention to adopt such standards. This intention was given concrete form in the draft regulation respecting greenhouse gas emissions from motor vehicles and fees for excess emissions,[80] published in January 2008.

Essentially, Québec's proposed standards for limiting greenhouse gas emissions of vehicles are harmonized with those of California.[81] The draft regulation sets objectives to be achieved by 2016 and stipulates a progression in the required reduction efforts.

Accordingly, to encourage the acquisition or long-term lease of new vehicles that do not exceed the most exacting standard for greenhouse gas emissions, i.e. the equivalent of 5.27 litres of gasoline per 100 kilometres, a refundable tax credit will be introduced.

Briefly, this tax credit will be granted for a new green vehicle that, by December 31, 2015, is acquired or leased by an individual or a corporation. The value of this tax credit will be determined depending on the vehicle's environmental performance.

Accordingly, the better the vehicle's performance, the higher the amount of the tax credit granted. However, to reflect advances in technology, the amount granted regarding a category of vehicles will be reduced gradually as of the year following the one stipulated for the arrival, on the Québec market, of a new generation of more environmentally friendly vehicles.

❑ Determination of the tax credit

If, at a given time after December 31, 2008 and before January 1, 2016, an eligible person acquires or leases on a long-term basis[82] a recognized green vehicle, he may receive a refundable tax credit for his taxation year that includes such time.

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80 (2008) 1 G.O. II, 19.

81 The maximum greenhouse gas emissions standards stipulated in the draft regulation are identical to the standards adopted in California, though they are expressed in equivalent grams of CO_2 per kilometre rather than equivalent grams of CO_2 per mile.

82 For the purposes of the tax credit, a long-term lease means a lease for a continuous period of at least 12 months.

Where an eligible person is a member of a partnership at the end of a fiscal year of such partnership during which, after December 31, 2008 and before January 1, 2016, it acquired or leased on a long-term basis a recognized green vehicle, it may also receive the refundable tax credit regarding such vehicle for its taxation year in which such fiscal year ended, on the basis of its share of the partnership's income or loss for the year.

This tax credit will be adjusted depending on the vehicle's environmental performance and the time when new generations of green vehicles appear on the Québec market.

To that end, the green performance of a vehicle powered totally or partially by gasoline or diesel will depend on the vehicle's weighted fuel consumption rating, which must be equal to or less than 5.27 litres per 100 kilometres for a vehicle powered by gasoline and 4.54 litres per 100 kilometres for one powered by diesel.

The following table shows the amount of the tax credit that may be granted to an eligible person for each recognized green vehicle acquired during calendar years 2009 to 2015.

TABLE A.5

Refundable tax credit for the acquisition or lease of a new green vehicle
(Dollars)

	2009	2010	2011	2012	2013	2014	2015
Gasoline consumption from 3 to 5.27 l/100 km	2 000	2 000	1 500	1 000	500	0	0
Diesel consumption from 2.58 to 4.54 l/100 km	— [1]	2 000	1 500	1 000	500	0	0
Gasoline consumption from 0.01 to 2.99 l/100 km	— [2]	3 000	3 000	2 250	1 500	750	0
Diesel consumption from 0.01 to 2.57 l/100 km	— [2]	3 000	3 000	2 250	1 500	750	0
Low-speed vehicle (LSV) using no fuel	4 000	4 000	4 000	4 000	3 000	2 000	1 000
Vehicle, other than an LSV, using no fuel	— [3]	— [3]	8 000	8 000	6 000	4 000	2 000

1 It is not expected that a vehicle in this category will be on the Québec market during the year. However, in the event such a vehicle is acquired or leased in 2009, an amount of $2 000 will be allowed for the purposes of calculating the tax credit.
2 It is not expected that a vehicle in this category will be on the Québec market during the year. However, in the event such a vehicle is acquired or leased in 2009, an amount of $3 000 will be allowed for the purposes of calculating the tax credit.
3 It is not expected that a vehicle in this category will be on the Québec market during the year. However, in the event such a vehicle is acquired or leased in 2009 or 2010, an amount of $8 000 will be allowed for the purposes of calculating the tax credit.

Where a recognized green vehicle is leased on a long-term basis during a calendar year from 2009 to 2015, the amount of the tax credit an eligible person may receive for such vehicle will be calculated by applying a rate, that depends on the length of the continuous lease period, to the amount that would otherwise have been allowed had the vehicle been acquired at the same time.

The following table shows the applicable rates according to the length of the long-term lease contract of a recognized green vehicle.

TABLE A.6

Rates applicable for the purposes of calculating the tax credit depending on the length of the long-term lease contract
(Per cent)

Continuous lease		Applicable	Continuous lease		Applicable
at least	**and less than**	**rate**	**at least**	**and less than**	**rate**
12 months	24 months	25	48 months	60 months	70
24 months	36 months	40	60 months	72 months	80
36 months	48 months	55	72 months	—	85

❑ Eligible person

For the purposes of the refundable tax credit for the acquisition or lease of a new green vehicle, an eligible person for a given taxation year means:

— either an individual, other than a trust, who resides in Québec at the end of December 31 of the year or, if he died or ceased to reside in Canada during the year, on the date of his death or the date when he ceased to reside in Canada;

— or a corporation that has an establishment in Québec and that is not a corporation exempt from tax for the year, a Crown corporation or a subsidiary wholly controlled by such corporation.

❑ Recognized green vehicle

A vehicle acquired or leased on a long-term basis by an eligible person or partnership will be recognized as a recognized green vehicle for the purposes of the tax credit, if it is a vehicle with four wheels, other than an off-highway vehicle,[83] and if the following conditions are satisfied:

- the vehicle is either a vehicle powered totally or partially by gasoline or diesel or, if it is a hybrid vehicle, partially by one of these fuels and by electricity, or a vehicle using no fuel as a source of energy, including a low-speed vehicle;
- where the vehicle is powered in whole or in part by gasoline or diesel or, in the case of a hybrid vehicle, in part by one of these fuels and by electricity, the vehicle's weighted fuel consumption rating is equal to or less than 5.27 litres per 100 kilometres for a vehicle using gasoline as a fuel and 4.54 litres per 100 kilometres for one using diesel;
- the vehicle is registered or deemed registered for the first time in Québec and was never registered outside Québec, unless the vehicle's registration outside Québec was temporary, commonly known as "transit", to enable the vehicle to be brought to Québec immediately after taking possession of it;
- the vehicle was not acquired for the purposes of resale or long-term leasing;
- if the vehicle is acquired or leased on a long-term basis by an eligible person, it is registered in the name of the latter in his capacity as owner, co-owner or long-term lessee of the vehicle;[84]
- if the vehicle is acquired or leased on a long-term basis by a partnership, it is registered in the name of a partner.

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83 Within the meaning of the *Act respecting off-highway vehicles*.

84 For greater clarity, despite the fact that the registration certificate of a vehicle leased on a long-term basis indicates both the name of the lessor and that of the lessee, the vehicle will be considered as registered solely in the name of the long-term lessee.

Low-speed vehicle

A vehicle will be considered a low-speed vehicle if its characteristics correspond to those of a low-speed vehicle for the purposes of the *Motor Vehicle Safety Regulations* (Canada)[85] and if, in addition to being registered in Québec as a restricted-use passenger vehicle,[86] is subject to special rules, regarding in particular road use and safety equipment, enacted by the Minister of Transport.[87]

Weighted fuel consumption rating

A vehicle's weighted fuel consumption rating will be calculated by adding the result obtained by multiplying the vehicle's city fuel consumption rating by 55% to the result obtained by multiplying its highway fuel consumption rating by 45%.

The city and highway fuel consumption ratings that must be used for the purposes of this calculation for a given vehicle are those that are based on the number of litres of fuel per 100 kilometres consumed by a vehicle of the same brand, model and model year[88] as the given vehicle and with the same features as it, as they are established in the *Fuel Consumption Guide.*[89]

In the event that no city and highway fuel consumption rating is shown in the *Fuel Consumption Guide* for a given vehicle, the eligible person must calculate, to the satisfaction of the Minister of Revenue, the weighted fuel consumption rating of the vehicle (number of litres per 100 kilometres) by using a proportion of 55% for city driving and 45% for highway driving.

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85 Briefly, this regulation defines a low-speed vehicle as a vehicle designed essentially for moving on streets and roads where the law governs the access and usage of other categories of vehicles, that moves on four wheels, uses no fuel as energy source and whose speed and weight cannot exceed a pre-established standard.

86 A vehicle thus registered bears a license plate beginning with the letter "C".

87 Currently, only certain electric low-speed vehicles are authorized to travel on Québec streets and roads, according to special rules established by ministerial order of the Minister of Transport.

88 This is essentially the year used by the manufacturer to designate a distinct vehicle model, regardless of the calendar year of its production, which model year is indicated by a code in the vehicle identification number in accordance with the *Motor Vehicle Safety Act* enacted by the federal government.

89 This guide, published annually by Natural Resources Canada, can be viewed at <http://oee.nrcan-rncan.gc.ca/transportation/tools/fuelratings/fuel-consumption.cfm?attr=8> (site viewed March 13, 2009). In the event of a discrepancy between the printed version of the Guide and the data available on-line, the website data prevails.

■ Vehicle deemed registered for the first time

A vehicle will be considered to be registered for the first time in Québec if the vehicle's only other registration was in the name of a dealer or a manufacturer that held it in its fleet to lend it for test drives.[90]

❑ Other application details

To receive the refundable tax credit for the acquisition or lease of a new green vehicle for a given taxation year, an eligible person must enclose, with his tax return for the year, a prescribed form indicating, among other things, the registration number of the recognized green vehicle, the date it was acquired or the starting date of its long-term lease, the length of the continuous lease period, if applicable, and the type of vehicle according to its power source (conventional vehicle powered by gasoline or diesel, hybrid vehicle, low-speed vehicle, etc.).

The supporting documents (sales contract, long-term lease contract, etc.) must be kept for purposes of subsequent audit by Revenu Québec. The time period for keeping the supporting documents will be the same as that under the general rule, according to which anyone who is required to keep registers must retain them, as well as any documents substantiating the information contained therein, for six years after the last year to which they apply.

Moreover, the amount of the refundable tax credit for the acquisition or lease of a new green vehicle will not be reduced by any government or non-government assistance that may be granted in particular by the various stakeholders engaged in combating greenhouse gases. For example, provided the applicable conditions are satisfied, holders of taxi owner licenses could, upon the purchase of a new recognized green vehicle, receive both the refundable tax credit and a grant under the government assistance program to improve energy efficiency in road passenger transportation.

In addition, this tax credit may be applied against any instalments that must be made by an eligible person for income tax and, if applicable, the tax on capital.

For greater clarity, the amount of the refundable tax credit need not be included in the calculation of an eligible person's income. However, it will reduce the cost of the green vehicle for the purposes, in particular, of the calculation of the depreciation deduction.

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90 In Québec, this type of registration is accompanied by the issuing of a removable license plate beginning with the letter "X".

4. FEDERAL LEGISLATION AND REGULATIONS

4.1 Measures relating to the January 27, 2009 federal budget

On January 27, 2009, the Minister of Finance of Canada tabled the federal government's 2009 budget. This budget includes various fiscal measures that affect the tax system.

Along with the budget, the federal Minister of Finance tabled, in the House of Commons, supplementary information, as well as notices of ways and means motions to amend the *Income Tax Act* and the *Excise Tax Act*.[91]

In this regard, Québec's tax legislation and regulations will be amended to incorporate some of the measures announced. However, these measures will only be adopted following the assent given to any federal legislation or adoption of any federal regulation giving effect to them, taking into account the technical changes that may be made to them before such assent or adoption. Lastly, these measures will generally apply on the same dates as for the purposes of the federal tax system.[92]

❑ Measures relating to the *Income Tax Act*

■ Measures retained

Québec's tax legislation and regulations will be amended to incorporate, with adaptations based on their general principles, the measures relating to:

1. the deduction for loss of value of investments in a registered retirement savings plan or a registered retirement income fund after death (BR 7);[93]
2. the increase in the small business limit (BR 9 to BR 11), subject to the clarifications made below;
3. the time at which the acquisition of control of a corporation takes place to determine whether it is a small business corporation or a Canadian-controlled private corporation (CCPC) (BR 18);

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91 DEPARTMENT OF FINANCE CANADA, *Canada's Economic Action Plan – Budget 2009*, January 27, 2009, Annex 5, Tax Measures: Supplementary Information and Notices of Ways and Means Motions, p. 299.

92 Except for the measure relating to the increase in the small business limit.

93 References in parentheses correspond to the number of the budget resolution in the Notice of Ways and Means Motion to Amend the *Income Tax Act* tabled January 27, 2009.

4. the amendments pertaining to capital cost allowance applicable to certain assets;[94]

5. the withdrawal of the restrictions applicable to the deductibility of certain interest (BR 23 and BR 24).

It is appropriate to note that the ministère des Finances du Québec has already announced that Québec's tax legislation would be amended to incorporate, with adaptations on the basis of its general principles, the federal measure relating to the increase in the maximum withdrawal limit under the Home Buyers Plan to $25 000 (BR 5).[95]

Measures not retained

Some measures have not been retained because they do not correspond to features of Québec's tax system or because Québec's tax system has no corresponding provisions. Such is the case of the measures relating to the increase in the reduction thresholds of the Child Tax Benefit and the National Child Benefit Supplement,[96] the improvement to the Working Income Tax Benefit,[97] the First-Time Home Buyer's Tax Credit (BR 6), the extension of the mineral exploration tax credit (BR 8), the correlative adjustments to the change to the amount of the expenditure limit concerning the investment tax credit (BR 12 to BR 15) and the adjustments concerning the instalment payments of small corporations (BR 16 and BR 17).

Other measures have not been retained because Québec's tax system is satisfactory in their regard. These measures concern:

- the increase to the basic personal amount, the amount for a spouse or de facto partner and the amount for an eligible dependant (BR 1);
- the increase in the upper limit of the first two brackets of the personal income tax table (BR 2);
- the increase in the age tax credit (BR 3);
- the introduction of the Home Renovation Tax Credit (BR 4).

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94 Department of Finance Canada, see above, note 91, p. 320-321. For greater clarity, the assets covered by the change relating to machines and to manufacturing and processing equipment can constitute eligible assets for the purposes of the investment tax credit. The same is true of eligible computers and system software (i.e. those used in manufacturing and processing) covered by the improvement.

95 Ministère des Finances du Québec, *Information Bulletin 2009-2*, February 5, 2009.

96 Department of Finance Canada, see above, note 91, p. 307.

97 *Id.*, p. 312.

■ Clarifications concerning the measure relating to the increase in the small business limit

The increase in the small business limit from $400 000 to $500 000 will apply as of the day following the day of the Budget Speech. However, where the taxation year of a corporation includes the day of the Budget Speech, the increase in the business limit applies in proportion to the number of days of such taxation year that follow that day.

■ Announcement at a later date

The ministère des Finances du Québec will announce its position concerning the measures relating to mandatory filing of return by electronic transmission and the penalties for not filing a corporate tax return in the correct format and for late filing of information returns or not filing such returns in the correct format (BR 19 to BR 22) at a later date.

❑ Measures relating to the *Excise Tax Act*

Changes will be made to the Québec sales tax system to incorporate, with adaptations on the basis of its general principles and subject to the specific Québec features, the federal measures concerning the simplification of the GST/HST for the direct selling industry (BR 1 to BR 3).[98]

4.2 Follow-up to the Notice of Ways and Means Motion of November 28, 2008

On November 28, 2008, the Department of Finance Canada, in a news release,[99] published a Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on February 26, 2008, certain provisions of the economic and fiscal statement tabled in Parliament on November 27, 2008, and a number of other fiscal and economic measures.

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98 The references in parentheses correspond to the number of the budget resolution of the Notice of Ways and Means Motion to Amend the *Excise Tax Act* to implement measures affecting the goods and services tax and the harmonized sales tax (GST/HST) tabled January 27, 2009.

99 DEPARTMENT OF FINANCE CANADA, *News Release 2008-096*, November 28, 2008.

In the March 13, 2008 Budget Speech, the ministère des Finances du Québec included a list of measures contained in the federal government's Budget Plan 2008,[100] tabled in the House of Commons on February 26, 2008, that would be incorporated into Québec's tax legislation and regulations.[101]

Some of the measures mentioned in the Notice of Ways and Means Motion released November 28, 2008, were added to the list of measures retained in the March 13, 2008 Budget Speech. Last December, the ministère des Finances du Québec announced its position regarding most of the additional measures mentioned in this Notice of Ways and Means Motion[102]. However, it was indicated at the time that the decision whether or not to retain some of these measures would be announced at a later date. This concerned in particular the measures designed to facilitate the conversion of specified investment flow-through trusts into corporations.

The analysis of the "other measures"[103] referred to at that time has been completed. Accordingly, Québec's tax legislation and regulations will be amended to incorporate, with adaptations on the basis of their general principles, the federal rules relating to the conversion of existing specified investment flow-through trusts into taxable Canadian corporations. However, these measures will only be adopted following the assent given to any federal legislation or adoption of any federal regulation giving effect to them, taking into account the technical changes that may be made to them before such assent or adoption. Lastly, these measures will generally apply on the same dates as for the purposes of the federal tax system.

4.3 Department of Finance Canada news release of November 10, 2008

On November 10, 2008, the Minister of Finance of Canada released legislative proposals to implement changes to the rules of the *Income Tax Act* concerning reporting of income in a functional currency.[104]

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100 Department of Finance Canada, *The Budget Plan 2008*, February 26, 2008, Annex 4, Tax Measures: Supplementary Information and Notices of Ways and Means Motions.

101 Ministère des Finances du Québec, *2008-2009 Budget — Additional Information on the Budgetary Measures*, March 13, 2008, Section A, p. A.127-A.131.

102 Ministère des Finances du Québec, *Information Bulletin 2008-8*, December 19, 2008, p. 16.

103 *Id., p. 20.*

104 Department of Finance Canada, *News Release 2008-089*, November 10, 2008.

These proposals cover various improvements and consist in particular in specifying how the reporting system in a functional currency applies to corporations that are members of partnerships, ensuring that all taxpayers are treated the same regarding when they must file the election to report income in a functional currency, ensuring that instalment payments and other payments of tax, interest and penalties are payable in Canadian dollars even if the tax payable by a taxpayer is based on its chosen functional currency and in bolstering the rules on corporate reorganizations.

Québec's tax legislation and regulations will be amended to incorporate the measures announced on November 10, 2008. However, these measures will only be adopted following the assent given to any federal legislation or adoption of any federal regulation giving effect to them, taking into account the technical changes that may be made to them before such assent or adoption. Lastly, these measures will generally apply on the same dates as for the purposes of the federal tax system.

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5. Recovery of Certain Administrative Costs by Revenu Québec

In the event that a person owes an amount under a fiscal law and does not pay such amount within the allowable limits, his file is forwarded to the Direction générale du centre de perception fiscale et des biens non réclamés of Revenu Québec (hereunder, “Tax Collection”). The same applies for a mandatary that fails to file a tax or source deductions return within the allowable limits.

Processing of these files by Tax Collection generates additional administrative costs for the government, costs that are indirectly borne by persons who comply with the tax laws and pay the amounts they owe under these laws within the allowable limits.

Consequently, amendments will be made to the tax legislation to enable the recovery of certain administrative costs associated with the processing of these files.

5.1 Expenses for taking charge of a file

To reduce the costs generated by dealing with a collection file for the period prior to the use of a recovery measure or recourse before a court, the tax legislation will be amended so that a fee of $93 will be charged to a debtor who has not settled his tax debt within the allowable limits and whose file is initially acted on by a Tax Collection official.

The legislation will also be amended to reduce the costs of processing a case of non-filing of a tax or source deductions return, by charging a fee of $93 to the mandatary in default whose case is initially acted on by a Tax Collection official.

These fees, which will constitute an amount the debtor or mandatary will owe under a fiscal law and will be added to the tax debt, if applicable, will be paid into the Collection Fund.[105] They will be indexed as at April 1 of each year on the basis of the rate of increase in the general consumer price index for Canada for the period ending on December 31 of the preceding year, as determined by Statistics Canada under the *Statistics Act*.[106]

This measure will apply regarding tax debts and returns not filed that are initially acted on by a Tax Collection official after the draft legislation giving effect to it is assented to or any later date set by the government.

105 The Collection Fund is constituted at Revenu Québec and is allocated to the financing of collection and recovery operations.

106 These fees, thus indexed, will be reduced to the nearest dollar if they include a fraction of a dollar less than $0.50; they will be increased to the nearest dollar if they include a fraction of a dollar equal to or greater than $0.50.

5.2 Fees for registration and cancellation of a legal hypothec

To recover part of the processing costs relating to the registration and cancellation of legal movable and immovable hypothecs, the tax legislation will be amended to charge fees in this regard to the tax debtor.

In the case of a registration, the fees will be $75 for a movable hypothec and $185 for an immovable hypothec. Fees for cancellation will be $20 for a movable hypothec and $130 for an immovable hypothec.

These fees, which will constitute an amount the debtor or mandatary will owe under a fiscal law and will be added to the tax debt, if applicable, will be paid into the Collection Fund. They will be indexed as at April 1 of each year on the basis of the rate of increase in the general consumer price index for Canada for the period ending on December 31 of the preceding year, as determined by Statistics Canada under the *Statistics Act*.[107]

This measure will apply regarding an application for registering or cancelling a legal hypothec filed after the draft legislation giving effect to it is assented to or any later date set by the government.

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107 *Supra*, note 106.

Section B

Expenditure Measures

1. ADDITIONAL IMMEDIATE ACTIONS TO SUPPORT BUSINESSES AND WORKERS

1.1 Measures to increase the cash resources and capitalization of businesses

The tighter credit conditions caused by the global economic crisis are threatening the financial position of many Québec companies. Reduced access to financing, whether public or stock markets, affects the cash resources and capitalization of businesses.

As part of the 2009-2010 Budget, the government is implementing major initiatives to enable businesses to add to their cash resources and boost their capitalization.

1.1.1 Creation of a $500-million emergency fund for the recovery of businesses

The vast majority of private investment in Québec is made by medium and large companies. Even if their financial position is sound, these companies are currently experiencing the backlash of the credit squeeze. For some, their survival is jeopardized in the short-term owing to a lack of cash resources. Others are finding it difficult to fund investments that would enable them to become more productive.

To make up for these difficult financing conditions, the government is announcing the creation of a business recovery emergency fund. This initiative will pool the resources and expertise of the Société générale de financement du Québec (SGF) and the Fonds de solidarité FTQ, hereunder referred to as the FSTQ.

The emergency fund will have capital of $500 million, with the SGF and FSTQ each contributing $250 million. Targeted corporations will be medium and large private and public enterprises with a head office or significant activities in Québec. All sectors of economic activity will be eligible.

The details regarding this fund will be announced shortly by the Minister of Economic Development, Innovation and Export Trade and the presidents of the SGF and FSTQ.

The SGF's contribution will consist of an additional injection of $250 million by the government in the corporation's capital.

1.1.2 $60-million increase in the envelope of the FIER-Régions

In the 2004-2005 Budget, the government established the Fonds d'intervention économique régional (FIER). As offshoots of the FIER, the FIER-Régions aim to facilitate the capitalization of businesses, particularly SMEs in the regions, in their initial stages of development.

The results of the FIER-Régions' activities are encouraging, with almost all of the $192 million allocated to the funds by the government having already been committed. In addition, of the 30 existing FIER-Régions, 10 have invested more than 75% of their available capitalization.

Requests have been made to create new FIER-Régions, but they have not been acted on because the available envelope has been depleted. In addition, some FIER-Régions will have completely committed their capital within a few months, yet requests for financing remain high.

Given the particular needs that the FIER-Régions fill, the government is announcing a $60 million increase in the envelope allocated to them.

1.1.3 Improvement to the *Renfort* program in favour of the forest and tourism sectors

The *Renfort* program provides direct financing or a repayment guarantee for loans contracted with a financial institution to successful businesses temporarily experiencing difficulties due the current economic situation. The program consists of two components:

— improvement of working capital and debt refinancing;

— acquisition of equipment.

The forest industry is currently struggling. This sector, which employs close to 70 000 people and whose manufacturing shipments exceed $16 billion a year, needs support to continue modernizing.

Although companies in the tourism sector are eligible for the *Renfort* program, the current parameters do not allow financing in capital investments.

To meet the financing needs of these sectors, the government is announcing enhancements to the *Renfort* program. The application details of this measure will be specified at a later date by the Minister of Economic Development, Innovation and Export Trade.

Additional funding of $40 million in 2009-2010 and $20 million in 2010-2011 will be allocated to the ministère du Développement économique, de l'Innovation et de l'Exportation for that purpose. The amounts required for 2009-2010 will come from the Contingency Fund.

1.1.4 Deferral of repayment of the loan envelope of local investment funds

Present in the 120 local development centres (CLDs), local investment funds (FLI) provide assistance for starting and expanding businesses in all regions of Québec through loans and loan guarantees, and thus are the chief financial tool available to CLDs.

The government provided CLDs with loans for the capitalization of FLIs. However, the CLDs will no longer be able to invest in businesses after December 31, 2009, because they will have to begin repaying their loans to the government. This means that non-committed sums and sums recovered through loan repayments will no longer be available for business assistance.

In view of the economic context and important role played by FLIs in the economy of every region of Québec, the 2009-2010 Budget stipulates a two-year deferral in the repayment of loans granted to CLDs. This will help maintain access to financing for local entrepreneurs that is adapted to the priorities of each community during this difficult period. This measure entails no expenditure.

1.2 Employment Pact Plus: additional investments of $518 million

The 2009-2010 Budget provides for implementation of the Employment Pact Plus.[1] This new component of the Employment Pact is designed to mitigate the effects of the current economic conditions and stipulates investments of $518 million, including $456 million funded jointly by the Québec government and the federal government.

In 2009-2010, $207.9 million will come from the Fonds de développement du marché du travail (FDMT) and $11.6 million, from the Québec government. In 2010-2011, the FDMT will contribute $207.8 million and the Québec government, $21.7 million. The funding provided by the FDMT will be available as soon as an agreement is signed between the Québec and federal governments.

1 This measure is explained in greater detail in Section F of the 2009-2010 Budget Plan.

For this purpose, the ministère de l'Emploi et de la Solidarité sociale will receive additional funding of $11.6 million in 2009-2010 and $21.7 million in 2010-2011. The amounts required for 2009-2010 will be drawn from the contingency fund.

1.3 Support for forest development

1.3.1 Improvement of the Silvicultural Investment Program

The Silvicultural Investment Program is being enhanced to secure supplies of quality timber. The improvements will make it possible to step up silvicultural work in all regions and begin afforestation of northern Québec with the planting of 35 million more seedlings in 2009-2010.

Additional funding of $22 million in 2009-2010 will be granted to the ministère des Ressources naturelles et de la Faune for that purpose.

1.3.2 Financing for the production of seedlings

The goal of this initiative is to restore the forest cover to ensure Québec's forests are fully stocked, as recommended by the commission for the study of public forest management in Québec (Coulombe Commission). The initiative was announced in October 2006 and was slated to end on March 31, 2009.

However, the government is extending this measure for another year in order to pursue the efforts to achieve full reforestation of Québec's forests. For this purpose, additional funding of $25.6 million in 2009-2010 will be granted to the ministère des Ressources naturelles et de la Faune.

1.3.3 Assistance for forest road maintenance in controlled zones

The bodies responsible for the management of controlled zones (ZEC) must, among other things, maintain the forest road network while ensuring that investments meet forest management standards. Road maintenance thus benefits hunters and fishers as well as the forest industry.

To support the bodies responsible for ZECs in maintaining forest roads to ensure access to the forest, the government is announcing financial assistance for professional services and the purchase of material for culverts. The assistance will also include a portion of installation costs for bridges.

Additional funding of $1 million in 2009-2010 and 2010-2011 will be granted to the ministère des Ressources naturelles et de la Faune for that purpose. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.3.4 Development of high-added-value products

To enable the forest industry to tap into new opportunities, monies will be allocated to initiatives that foster the expansion of high-added-value products.

More specifically, this investment will give rise to:

- application of new technologies in plants and mills;
- the sale of forest products on foreign markets;
- greater use of wood, notably in non-residential construction.

These initiatives will have a structuring effect on the forest sector and enable job consolidation and development of new production activities, particularly in secondary and tertiary wood processing firms and pulp and paper mills. They will also have a positive environmental impact.

To that end, additional funding of $10 million in 2009-2010 and $5 million in 2010-2011 will be granted to the ministère des Ressources naturelles et de la Faune.

1.3.5 Forest certification program for private woodlot owners

Forest certification allows companies that manage forests and use forest resources to demonstrate that they do so in a sustainable manner. Wood produced by a company with forest certification can thus be used for the construction of buildings that meet Leadership in Energy and Environmental Design (LEED) standards.

To promote the use of ecological wood, the government is announcing the creation of a forest certification program for private woodlot owners. The application details of this program will be defined at a later date by the Minister of Natural Resources and Wildlife.

For this purpose, additional funding of $500 000 in 2009-2010 and 2010-2011 will be granted to the ministère des Ressources naturelles et de la Faune. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.4 Support for the agricultural and agrifood sector

1.4.1 Assistance for modernization of local slaughterhouses

Several Canadian provinces have recently established financial assistance programs to improve food safety. To adopt the same objectives of improving production standards as most of the other Canadian provinces, the Québec government is announcing the establishment of a program targeting local slaughterhouses, i.e. slaughterhouses whose operators prepare their meat exclusively for retail sale at their butcher counter.

This program strengthens the existing control measures for local slaughterhouses, in particular by increasing the frequency of inspections and tightening construction and layout requirements.

The government will provide financial support to these slaughterhouses for the purpose of upgrading their facilities and equipment to meet food safety requirements.

To ensure the program's implementation, the ministère de l'Agriculture, des Pêcheries et de l'Alimentation will receive additional funding of $700 000 in 2009-2010 and $1.4 million in 2010-2011. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.4.2 Strengthening of the processing industry's competitive capacity

The ability to market singular, high-quality products is crucial to the growth of Québec's food processing industry. By meeting strict quality standards, companies reassure buyers and, at the same time, make their marketed product stand out.

The government intends to support food processing firms in adopting quality control and management programs so they can produce products of even better quality.

To that end, the government is extending its food safety and quality program to other food processing sectors. The program is currently limited to the cheese sector.

For this purpose, additional funding of $1.3 million in 2009-2010 and $2.1 million in 2010-2011 will be granted to the ministère de l'Agriculture, des Pêcheries et de l'Alimentation. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.4.3 Support for small-scale alcoholic beverage production

Small-scale alcoholic beverage production fills an important niche in Québec's agrifood industry. However, companies in this sector face very high production costs.

A financial assistance program to support small-scale alcoholic beverage producers was introduced in November 2005 and ends on March 31, 2009. The government wants to provide this sector with greater support by renewing the program for another five years. Financial assistance will be made available to producers to allow them to better market their products, enhance their knowledge and expertise and, thereby, make better-quality products.

This assistance program will have five directions:

- structure occupations around a series of certified production standards;
- improve producers' knowledge and expertise;
- position Québec-made products on the domestic market within a context of global competition;
- create marketing that meets the needs of the sector and consumers;
- provide effective and competitive government oversight.

To that end, the ministère de l'Agriculture, des Pêcheries et de l'Alimentation will receive additional funding of $1.7 million in 2009-2010 and $2.3 million in 2010-2011. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.4.4 Pet welfare

With a view to strengthening the control measures relating to the pet welfare, the government is increasing its annual funding of ANIMA-Québec. To allow this non-profit organization to increase the number of inspections needed, the financial contribution from the ministère de l'Agriculture, des Pêcheries et de l'Alimentation will more than double from $400 000 to $900 000 per year starting in 2009-2010.

For this purpose, the budget envelope of the ministère de l'Agriculture, des Pêcheries et de l'Alimentation will be increased by $500 000 in 2009-2010 and 2010-2011. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.5 Support for cultural development

1.5.1 Additional investments in Placements Culture

Placements Culture is an incentive program aimed at encouraging individuals, companies and foundations in Québec to make a greater financial contribution to non-profit organizations in the culture and communications sector. The program is administered by the Conseil des arts et des lettres du Québec.

The program enables cultural and communications organizations to:

- create the conditions required to increase private-sector funding of these organizations over the long term;
- build a financial cushion to help them face unforeseen events;
- stabilize their income in the long term and thereby become more self-sufficient.

To that end, the Conseil des arts et des lettres du Québec gives matching grants in addition to the gifts and contributions that organizations receive from donors and foundations. The grant is paid when the program conditions have been met. This program henceforth plays a strategic role in the development of cultural and communications organization, as the creation of endowment funds has a structuring effect that is profitable in the long term.

Since its creation in 2005, Placements Culture has helped raise nearly $20 million from the private sector and create 200 endowment funds.

In 2009-2010, the government will allocate an extra $5 million to the ministère de la Culture, des Communications et de la Condition féminine in order to increase the budget of Placements Culture.

Placements Culture will thus have a budget envelope of $10 million to help it meet the needs of 39 more organizations with private-sector fundraising objectives.

1.5.2 Promotion of artists on the world stage

Aware of the importance for Québec artists to have public support for their work abroad, the Québec government will set up programs to mitigate the impact of cultural funding cuts by the federal government to programs that helped performers reach international audiences.

More specifically, assistance will be offered to individuals, establishments or cultural and artistic organizations to make them better able to export their work and penetrate the international marketplace and thus be in a better position to get the most out of international expansion opportunities.

To that end, additional funding of $3 million in 2009-2010 will be granted to the ministère de la Culture, des Communications et de la Condition féminine. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.5.3 Support for the Institut national de l'image et du son

The Institut national de l'image et du son (INIS) is a non-profit professional training centre specialized in film, televison and interactive media.

The INIS enables student designers, screenwriters, authors, directors and producers of audiovisual and multimedia content to learn the different aspects of their profession. It also supports working professionals who want to develop new skills or master new tools.

The only francophone centre of its kind in Canada, the INIS promotes national and international exchanges as well as cultural diversity in audiovisual training.

To help the centre fulfil its mission, the government is increasing the financial support provided to the INIS. For this purpose, additional funding of $1 million in 2009-2010 is being allocated to the ministère de la Culture, des Communications et de la Condition féminine. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

1.6 Support for productivity, economic and public policy research

Over the years, the government has helped set up a number of top university research bodies to fuel reflection about matters of public interest. The 2009-2010 Budget provides for government financial support for three of these bodies to allow them to continue their work in coming years.

First, the government will grant $6 million over four years to the Centre interuniversitaire de recherche en analyse des organisations (CIRANO) to continue its work in the area of public policy.

Second, the government will allocate $6 million over four years to finance research by HEC Montréal's Institut d'économie appliquée (IEA) to determine the basic causes of delayed productivity in the Québec economy and propose solutions.

Third, the government is announcing funding of $5 million over the next five years to support the work of the Research Chair in Taxation and Public Finance at the Université de Sherbrooke and preserve this top centre of multidisciplinary knowledge.

For this purpose, the ministère des Finances will receive additional funding of $4 million for 2009-2010 and 2010-2011.

2. PREPARING QUÉBEC FOR ECONOMIC RECOVERY

2.1 Northern Québec: a new site of sustainable development

To optimize efforts to develop the outstanding potential of the territory of Québec north of the 49th parallel, the 2009-2010 Budget includes a series of measures under the Northern Plan that are designed to make this territory a new site of sustainable development.

2.1.1 Preserving the environment and promoting the value of northern Québec's natural heritage

To help preserve the environment and promote the value of northern Québec's natural heritage, the 2009-2010 Budget provides for:

— a shared-cost support program to consolidate outfitting operations;

— creation of protected areas.

❑ Program to consolidate outfitting operations

To further develop the tourism opportunities offered by this vast region, the government is announcing a new shared-cost program to give outfitting operations financial support and enable them to improve their infrastructures as well as the quality of the services they offer.

The program will make northern Québec's outfitting operations a quality sport hunting and fishing destination for Quebec and international travellers alike.

For the purposes of this program, additional funding of $1.0 million in 2009-2010 and $1.2 million in 2010-2011 will be granted to the ministère des Ressources naturelles et de la Faune. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

❑ Creation of protected areas

To help protect the natural ecosystems of northern Québec, the 2009-2010 Budget also provides for the creation of protected areas totalling 12% of the territory lying above the northern limit.

For this purpose, the ministère du Développement durable, de l'Environnement et des Parcs will be granted additional funding of $600 000 in 2009-2010 and 2010-2011. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.1.2 Improving infrastructure in northern Québec

With the aim of optimizing northern Québec's transportation infrastructure, the 2009-2010 Budget provides for investment in the territory's road network and improvements to northern airports.

❑ Construction of a road to the Otish Mountains

The 2009-2010 Budget provides for the construction of a road between Chibougamau and the Otish Mountains at an estimated cost of $260 million. The Québec government will contribute $130 million.

To enable construction to begin, additional funding of $200 000 in 2009-2010 and $400 000 in 2010-2011 will be granted to the ministère des Transports. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

❑ Repair of Highway 389 between Baie-Comeau and Fermont

In the coming years, major upgrading and repair work will be carried out on Highway 389 between Baie-Comeau and Fermont at a cost of $438 million. The highway will play a key role in the development of new economic projects.

The ministère des Transports will be granted additional funding of $400 000 in 2009-2010 and $900 000 in 2010-2011 to begin the work. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

❑ Improvement of northern airports

The government is also announcing a plan to improve and repair airports in northern Québec. The total cost of this work is estimated at $106 million. The work will be carried out between 2009-2010 and 2013-2014.

The ministère des Transports will receive an additional $500 000 in 2009-2010 and $2.9 million in 2010-2011 to carry out the planned work. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.2 Stimulating gas exploration in Québec

2.2.1 Program for the acquisition of geoscientific knowledge

To foster the development of hydrocarbon resources by exploration companies, the 2009-2010 Budget provides for a program for the acquisition of geoscientific knowledge.

The program will enhance our knowledge of the hydrocarbon potential of promising sedimentary basins in Québec, help raise interest from new players and encourage research work, particularly in the regions.

Additional funding of $2 million in 2009-2010 and 2010-2011 will therefore be granted to the ministère des Ressources naturelles et de la Faune to establish a program for the acquisition of geoscientific knowledge. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.2.2 Strategic environmental assessment program

To follow through on Québec's 2006-2015 energy strategy and the recommendations of the Bureau d'audiences publiques sur l'environnement (BAPE) regarding future hydrocarbon development, the government intends to establish a strategic environmental assessment program for marine projects.

The program will be designed to gain thorough knowledge of each marine area concerned, consult users, propose prevention and mitigation measures for planned hydrocarbon exploration and exploitation activities, and delineate environmentally sensitive areas.

The ministère des Ressources naturelles et de la Faune will receive an additional $1.5 million in 2009-2010 and 2010-2011 to establish this program. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.3 Supporting our technology companies

2.3.1 $125 million to create seed funds

Seed funding is crucial to the creation of high-value-added technology firms, and adequate seed funding must be available to ensure that enough business start-up projects come to fruition.

However, seed funding is in deep decline in Québec and so we need to make sure that funding is available to technology firms in the seeding and start-up phases.

To that end, the government will contribute $50 million through its mandatory Investissment Québec for the purposes of setting up three seed funds.

This contribution will be bolstered by an injection of $50 million from tax-assisted funds. In addition, the private sector will contribute $1 for every $2 contributed by the government, making for an anticipated contribution by private partners of $25 million per year. Total contributions from partners will raise the total capital of the three seed funds to $125 million, or nearly $42 million per fund.

The funds will be run by independent and experienced managers to be selected by tender.

Investissement Québec and the ministère du Développement économique, de l'Innovation and de l'Exportation will be responsible for forming a selection committee, calling for tenders and starting up the funds in the weeks following the 2009-2010 Budget.

The details regarding the funds' creation will be announced at a later date by the Minister of Economic Development, Innovation and Export Trade.

2.3.2 $825 million for the financing of venture capital funds

The government's venture capital strategy is based on an approach that dovetails with the private sector. This strategy has enabled 18 new sector-based venture capital funds to invest in Québec since 2004. However, these funds are in the process of depleting their business financing resources and some of them will require recapitalization as of 2009.

Refinancing the funds may prove to be difficult in the current economic conditions. Without adequate recapitalization of these venture capital funds, the growth and survival of Québec technology firms, some of which depend on the funds for capital, could be compromised.

To ensure adequate financing of emerging technology firms in Québec, the government is announcing the creation of a fund with initial capitalization of $700 million. The fund's mission will be to finance sector-based venture capital funds.

The Québec government, through its mandatary Investissement Québec, will contribute $200 million while its two partners, the Fonds de solidarité FTQ (FSTQ) and the Caisse de dépôt et placement du Québec (CDPQ), will each contribute $250 million. The fund will seek to raise $125 million from private institutional investors to attain the total capitalization target of $825 million.

The fund will be set up by Investissement Québec, the ministère du Développement économique, de l'Innovation et de l'Exportation, the FSTQ and the CDPQ.

The details regarding the fund's creation will be announced at a later date by the Minister of Economic Development, Innovation and Export Trade.

2.4 Québec, leader in environmental protection and environmental technologies

2.4.1 Development of green energy technologies

While new green energy technologies have the potential to meet Québec's energy and environmental objectives, they still need to be perfected before they can make their full contribution.

Therefore, to further stimulate innovation in this sector and develop new markets, the government is announcing the establishment of a program to develop green energy technologies. The purpose of the program is to support applied research and demonstrate new green energy technologies developed in Québec. The application details of the program will be announced at a later date by the Minister of Natural Resources and Wildlife.

For this purpose, additional funding of $4 million in 2009-2010 and 2010-2011 will be granted to the ministère des Ressources naturelles et de la Faune. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.4.2 Financial assistance program for capital assets related to bioenergy production

Bioenergy production, notably through biomethanization, will help meet the objectives set in the Québec government's 2006-2012 action plan on climate change and its 2006-2015 energy strategy.

The government will therefore set up financial support programs to promote investment in bioenergy production and will invite the federal government to help fund these initiatives as part of its promise to invest $1 billion in green energy infrastructure within the next five years.

One of the most promising sectors of bioenergy production is biomethanization, which uses anaerobic digestion of organic household and farm waste to produce methane gas. This process is good for the environment, especially when used for household residual materials, and would help develop new niches and areas of expertise as well as create jobs in a promising field.

To that end, the government will be introducing a financial support program for municipalities aimed at the installation of anaerobic digesters to produce biogas as a replacement for fossil fuels. Municipalities will also be able to process organic waste produced by industries, businesses and institutions within their territories and this service would partially finance municipal residual materials processing programs. Installation of anaerobic digesters represents a total investment of $500 million for Québec as a whole, to be funded by the Québec government, the federal government and municipalities.

The amounts required to finance the Québec government's contribution will be drawn from the Fonds vert.

2.4.3 Acceleration of public dam modernization

In 2005, a plan to modernize management of public dams was put in place to bring dams critical to the government's mission as well as certain dams used for municipal purposes up to standard. To date, nearly $49 million has been invested in this 20-year, $204 million plan.

To better protect communities and infrastructures against flooding, the government is establishing a six-year capital assets program aimed at accelerating investments already planned for certain major government dams and performing the work required to make sure they can withstand extreme climate events.

Acceleration of this work will require a further investment of $89 million over the next six years, to be financed by the Québec Infrastructures Plan starting in 2009-2010.

Additional funding of $100 000 in 2009-2010 and $700 000 in 2010-2011 will be granted to the ministère du Développement durable, de l'Environnement et des Parcs for that purpose. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.4.4 Expansion of the national park system in southern Québec

To continue expanding the national park system in southern Québec, work will begin on projects fostering the development of the regional tourism industry and maintaining current land use.

These projects represent a total investment of $50 million over five years.

For this purpose, the envelope of the ministère du Développement durable, de l'Environnement et des Parcs will be increased by $1.8 million in 2009-2010 and $3.6 million in 2010-2011. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

2.4.5 Resiting snowmobile trails outside the Monts-Valin and Mont-Tremblant Québec national parks

With a view to fostering tourism development while ensuring the integrity of Québec national parks, a snowmobile trail will be developed outside the Monts-Valin national park over the coming year. The trail will provide access to five peaks in the park as well as significantly improve the quality of trails in this sector.

New trails will also be developed just outside the Mont-Tremblant Québec national park by 2013. These trails will benefit the tourism industry and encourage people to stay in these areas longer.

Development of a new trail around the Monts-Valin Québec national park will require an investment of $350 000 in 2009-2010. The cost of resiting trails for the Mont-Tremblant park will cost roughly $3 million.

For the purposes of this work, additional funding of $350 000 in 2009-2010 and $1 million in 2010-2011 will be granted to the ministère du Développement durable, de l'Environnement et des Parcs. The amounts required for 2009-2010 will be drawn from the Contingency Fund.

3. ADDITIONAL SUPPORT FOR QUEBECERS

3.1 Improving the quality of life of seniors

The 2009-2010 Budget provides for three measures to improve the quality of life of seniors:[2]

- the "Age-Friendly Municipalities" (AFM) initiative;
- the government action plan to counter elder abuse;
- the Home Adaptations for Seniors' Independence program.

3.1.1 The "Age-Friendly Municipalities" initiative

To support the "Age-Friendly Municipalities" promotional strategy and fund concrete local projects that will mobilize communities as a whole, the 2009–2010 Budget provides for additional investments. To that end, additional appropriations of $1 million a year will be granted to the ministère de la Famille et des Aînés as of 2009-2010.

3.1.2 Action plan to counter elder abuse

To enable the concerted implementation of the action plan to counter elder abuse, the 2009-2010 Budget provides for $4 million a year in additional appropriations for the ministère de la Famille et des Aînés as of 2009-2010. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.1.3 Financial assistance for home adaptations for independent seniors

The 2009-2010 Budget provides for an investment of $3.5 million over two years—$1.75 million in 2009-2010 and $1.75 million in 2010-2011—for the Home Adaptations for Seniors Independence program, which is administered by the Société d'habitation du Québec.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $300 000 in 2009-2010 and $400 000 in 2010-2011. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

2 These measures are presented in greater detail in section E of the 2009-2010 Budget Plan.

3.2 Investments of $370 million for housing construction and renovation

To help low-income households obtain adequate housing, the 2009-2010 Budget Speech provides for investments of $370 million in social housing, in particular for home construction, renovation and adaptations.[3]

TABLE B.1

Investments in social housing
(millions of dollars)

		Financial impact			
	Government investments	2009-2010	2010-2011	Total over 2 years	Number of households
Investment of $200 million for the construction of 3 000 social housing units	**200.0**	—	—	—	**3 000**
Home renovation and adaptation programs					
– RénoVillage	50.0	–4.5	–9.5	–14.0	6 000
– Shelter enhancement	10.0	–0.1	–0.6	–0.7	370
– Emergency repairs	6.5	–0.4	–0.8	–1.2	1 300
– Home adaptations	40.0	–9.6	–16.8	–26.4	2 500
– Rénovation Québec	60.0	–0.1	–0.7	–0.8	17 000
Subtotal	**166.5**	**–14.7**	**–28.4**	**–43.1**	**27 170**
– Home Adaptations for Seniors' Independence[1]	3.5	–0.3	–0.4	–0.7	1 200
TOTAL	**370.0**	**–15.0**	**–28.8**	**–43.8**	**31 370**

1 This measure is presented in the previous section.

3 These measures are presented in greater detail in section E of the 2009-2010 Budget Plan.

3.2.1 Investment of $200 million for the construction of 3 000 social housing units

The 2009-2010 Budget provides for an investment of $200 million for the construction of 3 000 social housing units. The dwellings will be built under the AccèsLogis Québec program, which is administered by the Société d'habitation du Québec.

3.2.2 Financial assistance for low-income owner-occupants living in rural areas (RénoVillage)

As part of the 2009-2010 Budget, the government is providing for an investment of $50 million over two years—$25 million in 2009-2010 and $25 million in 2010-2011—in the RénoVillage program, which is administered by the Société d'habitation du Québec.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $4.5 million in 2009-2010 and $9.5 million in 2010-2011. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.2.3 Enhancement of shelters for victims of domestic violence

The 2009-2010 Budget provides for investments of $10 million over two years—$5 million in 2009-2010 and $5 million in 2010-2011—in the Shelter Enhancement Program (SEP), Renovation component, and the AccèsLogis Québec program, III SEP component. This program is administered by the Société d'habitation du Québec.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $100 000 in 2009-2010 and $600 000 in 2010-2011. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.2.4 Financial assistance for emergency repairs for low-income owner-occupants

The 2009-2010 Budget provides for investments of $6.5 million over two years—$3.25 million in 2009-2010 and $3.25 million in 2010-2011—in the Emergency Repair Program, which is administered by the Société d'habitation du Québec.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $400 000 in 2009-2010 and $800 000 in 2010-2011. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.2.5 Financial support for home adaptations for people with disabilities

The 2009-2010 Budget provides for an investment of $40 million over two years—$20 million in 2009-2010 and $20 million in 2010-2011—in the Residential Adaptation Program, which is administered by the Société d'habitation du Québec.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $9.6 million in 2009-2010 and $16.8 million in 2010-2011. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.2.6 Home improvements in rundown areas (Rénovation Québec)

The 2009-2010 Budget provides for an investment of $60 million over two years—$30 million in 2009-2010 and $30 million in 2010-2011—for the Rénovation Québec program, which is administered by the Société d'habitation du Québec.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $100 000 in 2009-2010 and $700 000 in 2010-2011. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.3 Investments for social development

3.3.1 Injection of $5 million in the Réseau d'investissement social du Québec

The Réseau d'investissement social du Québec (RISQ) network is a non-profit assistance fund with a mission to make financing tailored to the reality of social economy businesses accessible to such businesses, for investment needs below $50 000. RISQ offers, in particular, loans and loan guarantees to social economy businesses. It also provides financial support for technical assistance related to project development.

To consolidate RISQ, the government is allocating $5 million for the creation of a pre-startup fund under RISQ's responsibility, allowing for investments in social economy projects.

To that end, the appropriations of the ministère des Affaires municipales, des Régions et de l'Occupation du territoire will be increased by $5 million in 2009-2010. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.3.2 Funding of a study for the Chantier de l'économie sociale

The mission of the Chantier de l'économie sociale is to foster and support the emergence, development and consolidation of social economy businesses and organizations.

To strengthen the sector, it is important to make available financial tools that meet the businesses' needs. The creation of a secondary social economy market enabling financial instruments of businesses or funds related to the social economy to be traded, could be a promising option. The market could offer new specialized products to potential entrepreneurs, recapitalize existing funds and maintain the capitalization of social economy businesses. However, before going forward, the efficacy of such an approach must be evaluated.

In this context, the government is allocating funds for a study for the Chantier de l'économie sociale on the creation of a secondary social economy market. The work will be carried out by the Centre interuniversitaire de recherche en analyse des organisations (CIRANO), in collaboration with the Chantier de l'économie sociale.

To that end, additional appropriations of $300 000 will be allocated to the ministère des Finances in 2009-2010 in order to fund the study.

3.3.3 Extension of support for the Réseau québécois du crédit communautaire

As part of the government's 2004-2009 action plan to combat poverty and social exclusion, the government granted financial support to the Réseau québécois du crédit communautaire (RQCC) network. However, government funding of the RQCC was to end on March 31, 2009.

To maintain micro-credit support, the 2009-2010 Budget provides for $2.2 million in 2009-2010.[4] To that end, appropriations of $2.2 million will be granted to the ministère du Développement économique, de l'Innovation et de l'Exportation in 2009-2010. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

3.3.4 Promoting the development of female entrepreneurship

The network of regional organizations supporting women entrepreneurs (ORSEF) is established in most regions of Québec. However, six regions are not yet served by the network. The mission of the regional organizations is to promote female entrepreneurship. To that end, the organizations offer assistance and financial support services to women entrepreneurs.

To stimulate the creation of businesses in Québec, the government is announcing an investment of $3 million over two years to complete the ORSEF network. This will make it possible to add six new organizations and extend the network to all regions of Québec.

To that end, additional appropriations of $2 million in 2009-2010 and $1 million in 2010-2011 will be allocated to the ministère du Développement économique, de l'Innovation et de l'Exportation. The appropriations required for 2009-2010 will be drawn from the Contingency Fund.

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4 This measure is presented in greater detail in section E of the 2009-2010 Budget Plan.

4. ENSURING TAX FAIRNESS BETWEEN TAXPAYERS

4.1 New initiatives to fight tax evasion

The government intends to continue to put substantial effort into ensuring that all taxpayers assume their fair share of the funding of public services. Fighting tax evasion is a necessity driven first by a concern for fairness and justice. It is also a major preoccupation when strong pressures are being exerted on the government's financial framework. Accordingly, to collect the revenue owing to the government, additional funds will be devoted to stepping up tax recovery efforts at Revenu Québec, clamping down on economic crime and combating the illicit tobacco trade.

To fund these initiatives, an additional $22 million will be granted to the ministère des Finances as of 2009-2010 and charged to the Provision to increase any appropriation for revenue initiatives. Through these initiatives, tax revenue of $75 million will be recovered as of this year.

❑ Tax auditing

Concealing income from the tax authorities through tax evasion and misuse of tax provisions reduces government revenue. To bolster Revenu Québec's ability to recover unreported income, additional resources will be granted for tax auditing and recovery activities.

❑ Economic crime

Certain types of abuse that caused people to lose their savings have highlighted the importance of fighting economic crime and monitoring financial markets more closely. To that end, new teams will work to detect and clamp down on such crime. The cooperation of the Autorité des marchés financiers, Revenu Québec, the Director of Criminal and Penal Prosecutions, the ministère de la Sécurité publique and police forces will be necessary to conduct investigations.

❑ Tobacco smuggling

The ministère des Finances estimates that tobacco smuggling accounts for tax losses of roughly $300 million a year. To deal with this problem, the funding of the ACCES tabac (*Actions concertées pour contrer les économies souterraines – tabac*) program, which involves coordinated action by partners in the fight against tobacco smuggling, is being increased. The additional funding will allow for a more robust attack on organized crime networks that finance their activities with profits generated by the sale of illegal tobacco products.

Section C

Financial Impact of Fiscal and Budgetary Measures

Financial impact of fiscal and budgetary measures
2009-2010 Budget
(millions of dollars)

	Financial impact for the government		
	Full year	**2009-2010**	**2010-2011**
A. REVENUE MEASURES[1]			
1. MEASURES CONCERNING INDIVIDUALS			
1.1 Measures to increase the cash resources and capitalization of businesses			
New stock savings plan II to foster the capitalization of public companies	– 20.0	– 18.0	– 30.0
Fostering the growth of Fondaction	– 22.5	– 13.1	– 22.5
Subtotal	**– 42.5**	**– 31.1**	**– 52.5**
1.2 Broadening of eligibility for the work premium supplement to participants in the Alternative jeunesse program	**– 0.9**	**– 0.9**	**– 0.9**
1.3 New refundable tax credit for a new green vehicle	**– 2.3**	**– 2.3**	**– 3.3**
1.4 Supporting families			
Improvement of the refundable tax credit for child care expenses	– 22.0	– 22.0	– 22.0
Streamlining of the Québec education savings incentive	—	—	—
Increase in the maximum withdrawal limit under the Home Buyers Plan to $25 000	– 5.0	– 5.0	– 5.0
Deduction for loss of value of investments in an RRSP/RRIF after death	—	—	—
Subtotal	**– 27.0**	**– 27.0**	**– 27.0**
Subtotal	**– 72.7**	**– 61.3**	**– 83.7**

Financial impact of fiscal and budgetary measures 2009-2010 Budget (continued)

(millions of dollars)

	Financial impact for the government		
	Full year	**2009-2010**	**2010-2011**
2. MEASURES CONCERNING BUSINESSES			
2.1 Broadening to the forest and mining sectors of the refundable tax credit for training	**– 3.0**	**– 2.0**	**– 3.0**
2.2 Corporate tax reduction to stimulate investment			
Increase in the amount of income eligible for the reduced tax rate for small businesses from $400 000 to $500 000	– 15.0	– 13.0	– 15.0
Extension of accelerated depreciation for manufacturing and processing equipment	—	—	—
100% accelerated depreciation for computer hardware	—	– 18.0	– 41.0
Subtotal	**– 15.0**	**– 31.0**	**– 56.0**
2.3 Improvements to certain tax credits for culture	**– 2.6**	**– 1.5**	**– 2.6**
2.4 Supporting our technology companies			
Introduction of a tax holiday encouraging the commercialization of intellectual property	– 3.0	—	– 0.4
Changes to the refundable tax credit for design	– 1.0	– 0.5	– 1.0
Subtotal	**– 4.0**	**– 0.5**	**– 1.4**
Subtotal	**– 24.6**	**– 35.0**	**– 63.0**
3. OTHER REVENUE MEASURES			
Five-year royalty holiday for gas development	– 3.0	– 0.8	– 3.0
Additional revenue from new initiatives to fight tax evasion	—	75.0	75.0
Subtotal	**– 3.0**	**74.2**	**72.0**
TOTAL IMPACT OF REVENUE MEASURES	**– 100.3**	**– 22.1**	**– 74.7**

Note: A negative entry indicates a cost for the government.
1 Most of these measures are presented in sections E and F of the 2009-2010 Budget Plan.

Financial impact of fiscal and budgetary measures 2009-2010 Budget (continued)

(millions of dollars)

	Financial impact for the government	
	2009-2010	**2010-2011**
B. EXPENDITURE MEASURES[1]		
1. Additional immediate actions to support businesses and workers		
1.1 Measures to increase the cash resources and capitalization of businesses		
Creation of a $500-million emergency fund for the recovery of businesses[2]	– 12.5	– 12.5
$60-million increase in the envelope of the FIER-Régions[2]	– 3.0	– 3.0
Improvement to the Renfort program in favour of the forest and tourism sectors	– 40.0	– 20.0
Deferral of repayment of the loan envelope of local investment funds	—	—
Subtotal	**– 55.5**	**– 35.5**
1.2 Employment Pact Plus: additional investments of $518 million		
Additional support to develop human potential		
Increase in Emploi-Québec training allowances	– 99.1	– 121.1
Improvement to the Wage Subsidy measure	– 5.2	– 5.9
Renewal of support measures for forest sector workers	– 13.2	– 13.2
Improvement to the Targeted Initiative for Older Workers (TIOW)	– 19.0	– 19.0
Broadening to all activity sectors of the support program for workers affected by collective dismissals (PSTLC)	– 4.9	– 14.0
Intensification of Emploi-Québec's efforts	– 13.0	– 13.1
Broadening to all activity sectors of the Support Program for Older Workers (SPOW)	– 1.0	– 2.0
Additional support for training		
Increase in the government's financial participation funding training projects (MFOR-Entreprises)	– 20.5	– 17.0
Increase in the government's financial participation in financing training projects as part of large-scale economic projects	– 9.9	—
Implementation of a strategy for proactive intervention with businesses	– 2.7	– 2.7
Increase in concerted activities for employment	– 4.0	– 3.0
Broadening to all activity sectors of the measure encouraging early retirement for older workers (ARTT)	– 4.0	– 6.0
Improvement to the program to support enterprises that risk being affected by economic slowdown	– 12.5	– 12.5
Additional support to value work		
Adjustments to the financial assistance provided by certain Emploi-Québec measures	– 10.5	—
Subtotal: Employment Pact Plus	**– 219.5**	**– 229.5**
Funding from the Fonds de développement du marché du travail	**207.9**	**207.8**
Subtotal	**– 11.6**	**– 21.7**

Financial impact of fiscal and budgetary measures 2009-2010 Budget (continued)

(millions of dollars)

	Financial impact for the government	
	2009-2010	**2010-2011**
1.3 Support for forest development		
Improvement of the Silvicultural Investment Program	– 22.0	—
Financing for the production of seedlings	– 25.6	—
Assistance for forest road maintenance in controlled zones	– 1.0	– 1.0
Development of high-added-value products	– 10.0	– 5.0
Forest certification program for private woodlot owners	– 0.5	– 0.5
Subtotal	**– 59.1**	**– 6.5**
1.4 Support for the agricultural and agrifood sector		
Assistance for modernization of local slaughterhouses	– 0.7	– 1.4
Strengthening of the processing industry's competitive capacity	– 1.3	– 2.1
Support for small-scale alcoholic beverage production	– 1.7	– 2.3
Pet welfare	– 0.5	– 0.5
Subtotal	**– 4.2**	**– 6.3**
1.5 Support for cultural development		
Additional investments in Placements Culture	– 5.0	—
Promotion of artists on the world stage	– 3.0	—
Support for the Institut national de l'image et du son	– 1.0	—
Subtotal	**– 9.0**	**—**
1.6 Support for productivity, economic and public policy research	**– 4.0**	**– 4.0**
Subtotal	**– 143.4**	**– 74.0**

Financial impact of fiscal and budgetary measures 2009-2010 Budget (cont.)

(millions of dollars)

	Financial impact for the government	
	2009-2010	**2010-2011**
2. PREPARING QUÉBEC FOR ECONOMIC RECOVERY		
2.1 Northern Québec: a new site of sustainable development		
Preserving the environment and promoting the value of northern Québec's natural heritage		
Program to consolidate outfitting operations	– 1.0	– 1.2
Creation of protected areas	– 0.6	– 0.6
Creation of five national parks	—	—
Improving infrastructure in northern Québec		
Construction of a road to the Otish Mountains	– 0.2	– 0.4
Repair of Highway 389 between Baie-Comeau and Fermont	– 0.4	– 0.9
Improvement of northern airports	– 0.5	– 2.9
Subtotal	**– 2.7**	**– 6.0**
2.2 Stimulating gas exploration in Québec		
Program for the acquisition of geoscientific knowledge	– 2.0	– 2.0
Strategic environmental assessment program	– 1.5	– 1.5
Subtotal	**– 3.5**	**– 3.5**
2.3 Supporting our technology companies		
$125 million to create seed funds[2]	– 2.5	– 2.5
$825 million for the financing of venture capital funds[2]	– 10.0	– 10.0
Subtotal	**– 12.5**	**– 12.5**
2.4 Québec, leader in environmental protection and environmental technologies		
Development of green energy technologies	– 4.0	– 4.0
Financial assistance program for capital assets related to bioenergy production	—	—
Acceleration of public dam modernization	– 0.1	– 0.7
Expansion of the national park system in southern Québec	– 1.8	– 3.6
Resiting snowmobile trails outside the Monts-Valin and Mont-Tremblant Québec national parks	– 0.4	– 1.0
Subtotal	**– 6.3**	**– 9.3**
Subtotal	**– 25.0**	**– 31.3**

Financial impact of fiscal and budgetary measures
2009-2010 Budget (continued)

(millions of dollars)

	Financial impact for the government	
	2009-2010	2010-2011
3. Additional support for Quebecers		
3.1 Improving the quality of life of seniors		
The “Age-Friendly Municipalities” (AFM) initiative	– 1.0	– 1.0
Action plan to counter elder abuse	– 4.0	– 4.0
Financial assistance for home adaptations for independent seniors	– 0.3	– 0.4
Subtotal	**– 5.3**	**– 5.4**
3.2 Investments of $370 million for housing construction and renovation		
Investment of $200 million for the construction of 3 000 social housing units	—	—
Financial assistance for low-income owner-occupants living in rural areas (RénoVillage)	– 4.5	– 9.5
Enhancement of shelters for victims of domestic violence	– 0.1	– 0.6
Financial assistance for emergency repairs for low-income owner-occupants	– 0.4	– 0.8
Financial support for home adaptations for people with disabilities	– 9.6	– 16.8
Home improvements in rundown areas (Rénovation Québec)	– 0.1	– 0.7
Subtotal	**– 14.7**	**– 28.4**
3.3 Investments for social development		
Injection of $5 million in the Réseau d’investissement social du Québec	– 5.0	—
Funding of a study for the Chantier de l’économie sociale	– 0.3	—
Extension of support for the Réseau québécois du crédit communautaire	– 2.2	—
Promoting the development of female entrepreneurship	– 2.0	– 1.0
Subtotal	**– 9.5**	**– 1.0**
Subtotal	**– 29.5**	**– 34.8**
4. New initiatives to fight tax evasion	**– 22.0**	**– 22.0**
TOTAL IMPACT OF EXPENDITURE MEASURES	**– 219.9**	**– 162.1**
TOTAL IMPACT OF REVENUE MEASURES	**– 22.1**	**– 74.7**
TOTAL IMPACT OF FISCAL AND BUDGETARY MEASURES	**– 242.0**	**– 236.8**

Note: A negative entry indicates a cost for the government.
1 Most of these measures are presented in sections E and F of the 2009-2010 Budget Plan.
2 Impact on the government’s debt service.