

2000-2001 BUDGET

**ENCOURAGING THE START-UP AND GROWTH OF SMEs
IN QUÉBEC**

Québec City, March 14, 2000 – Deputy Premier and Minister of State for the Economy and Finance Bernard Landry announced in the 2000-2001 Budget Speech a number of initiatives to encourage the start-up and development of small and medium-sized enterprises in Québec. By generating new jobs, these major initiatives and substantial investments will be of great benefit to Quebecers.

Facilitate adaptation to e-commerce

The immediate implementation of a tax credit equal to 40% of the expenses incurred by SMEs to develop a transactional web site. This is an important measure for Québec enterprises. It will facilitate adaptation to the new ways of doing business and exchanging information. It is estimated that a total of 10 000 SMEs will benefit from assistance of up to \$40 000 per enterprise. A sum of \$126 million will be devoted to this program for the next three years. The accelerated depreciation rate of 125% for investments in fibre-optic networks will also benefit SMEs established in regions that are now poorly served by such networks. It is estimated that this measure will total \$15 million.

Encouraging the creation of SMEs

The setting up of a loan guarantee program will enable the current and future owners of small enterprises to secure more easily the capitalization and working capital required to start-up their project. New enterprises and enterprises that have been operating for less than three years will be eligible for this program. It will provide a loan guarantee covering up to 80% of any losses assumed by the lender, up to \$100 000. The cost of the program will total nearly \$78 million, including \$25.4 million for each of fiscal years 2000-2001 and 2001-2002.

Through the broadening of the eligibility criteria for the PIJCPF program, which has been highly successful, the government will now support investment projects of over \$2 million to be carried out by manufacturing SMEs acting as sub-contractors or suppliers of products for assembly activities in high technology content sectors. This measure will promote the creation of medium-sized enterprises that can meet the new needs of main contractors.

The Montréal region will also benefit from the assistance provided for the creation of the Technopôle Angus, which is to house manufacturing or environmental SMEs. For each enterprise established within the Technopôle's boundaries, a tax credit equal to 40% of salary will be offered any new employee after his or her first year of work. In 10 years, the project should create 2 000 jobs for young people living in a neighbourhood that requires particular attention.

Promoting the development of SMEs

For the benefit of fast growing medium-sized businesses, the Garantie-PME program will offer more flexibility making it possible, in particular, to finance working capital to support the growth of these enterprises. In addition, the aquaculture, mariculture and marine biotechnology sectors and horticultural specialties of the industrial agriculture sector will now be eligible for the program. Garantie-Québec anticipates that it will provide \$50 million in additional loan guarantees annually.

In regard to the proposed revision of the immigrant investor program, Québec SMEs will now be able to take greater advantage of the amounts invested in Québec by immigrant investors. Québec SMEs will thus receive more financial support for the development of their investment, technological innovation, design innovation, export or new economy projects.

To enable Québec Business Investment Companies (QBICs) to play their role fully in raising capital to finance SMEs, the investment limit allowed will be increased to \$10 million for any investment in the same enterprise.

Through these major initiatives and these investments, the government is demonstrating the considerable importance it gives SMEs, which make a major contribution to Québec's economic development.

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