

Adjustments to certain fiscal measures

This information bulletin aims to announce certain adjustments to the new tax holiday for large investment projects, which specify, in particular, that an expansion or addition to an existing building is eligible for this measure.

It also announces an easing of the criteria governing a trainee's connection to an establishment for the application of the refundable tax credit for on-the-job training periods.

Lastly, this bulletin confirms that the two components of the refundable tax credit for caregivers will be standardized so that the dwelling that is the principal place of residence of the eligible carereceiver or an eligible senior relative must be situated in Québec.

To obtain information on the matters dealt with in this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus et des politiques locales et autochtones, at secteurdroitfiscaletdelafiscalite@finances.gouv.qc.ca.

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- 1. Adjustments made to the new tax holiday relating to the carrying out of a large investment project..... 3**
- 2. Easing of the criteria governing a trainee’s connection to an establishment for the application of the refundable tax credit for on-the-job training periods..... 5**
- 3. Adjustment to the tax credit for caregivers regarding the primary residence of an eligible senior relative 7**

1. Adjustments made to the new tax holiday relating to the carrying out of a large investment project

The new tax holiday relating to the carrying out of a large investment project (hereinafter referred to as the “new tax holiday”) was introduced as part of the March 21, 2023 budget¹ to accelerate wealth creation in Québec, while further promoting investment in areas facing low economic vitality.

Briefly, under the new tax holiday, a corporation² that carries out a large investment project in Québec may, under certain conditions, benefit from an income tax holiday and a holiday from the employer contribution to the Health Services Fund for a 10-year exemption period.

In general, the total tax assistance relating to the new tax holiday that a corporation can claim for its exemption period is calculated by applying a rate of 15%, 20% or 25% to the cumulative total eligible expenses related to the carrying out of the large investment project. The cumulative total eligible expenses of a corporation at the end of a particular taxation year, in relation to a large investment project, is the lesser of \$1 billion and the total eligible expenses of the corporation at the end of the year in relation to the large investment project.

As part of this information bulletin, adjustments are made to the treatment of an expansion or addition to a building for the purposes of the new tax holiday. A technical adjustment is also made to clarify the obligations of the Minister of Finance when issuing a first annual certificate.

□ Adjustment relating to an expansion or addition to a building

In summary, the total eligible expenses of a corporation in respect of a large investment project is equal to the aggregate of all amounts each of which is an expense, other than an excluded expense, incurred by the corporation during the investment period for the acquisition of a qualified property in respect of the large investment project, to the extent that the expense is included in the capital cost of the property for a taxation year and that it is paid.

To be considered as a qualified property, the property must meet the following conditions:

- it is depreciable property included in any of the classes of Schedule B of the *Regulation respecting the Taxation Act*;
- it is acquired by the corporation to be used mainly in Québec in the course of carrying out the large investment project;

¹ MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2023-2024 – Additional Information*, March 21, 2023, pp. A.17-A.36.

² A partnership that carries out a large investment project in Québec may also, under certain conditions, benefit from a holiday from the employer contribution to the Health Services Fund. A corporation that is a member of the partnership may benefit from a tax holiday in respect of its share of the partnership’s income.

- it was not, before its acquisition by the corporation, used for any purpose or acquired to be used or leased for any purpose whatsoever;
- it is not acquired in substitution for a property in respect of which an expense is included in the total eligible expenses in relation to the large investment project.

A building that meets these conditions may be considered qualified property, and the expenses related to its acquisition may be included in the total eligible expenses for the purposes of the new tax holiday.

However, the condition that a property must not have been, prior to its acquisition, used for any purpose or acquired to be used or leased for any purpose means that an extension or addition to an existing building will generally not be considered qualified property, since the extension or addition is considered part of the existing building to which it is attached.

Therefore, an adjustment will be made so that an extension or addition to an existing building may be considered qualified property for the purposes of the new tax holiday. Thus, the tax legislation and the *Act respecting the sectoral parameters of certain fiscal measures* will be amended so that, for the purposes of the new tax holiday, an extension or addition to an existing building will be deemed to be a “separate property” from the building to which it is attached.

For greater clarity, an extension or addition deemed to be a separate property must meet all the conditions otherwise set out for the application of the new tax holiday, including those set out in the definition of *qualified property*.

□ Adjustment relating to the information indicated on the first annual certificate

To benefit from the new tax holiday, a corporation must obtain an initial qualification certificate and annual certificates from the Minister of Finance. These annual certificates certify that the corporation is continuing, in the taxation year, to carry out the investment project for which an initial qualification certificate was issued.

The first annual certificate issued for an investment project also indicates the date of the beginning of the corporation tax-free period, the total capital investments attributable to the carrying out of the project, and a breakdown of those expenditures according to where the property that has been or will be acquired is intended to be used primarily.³

Although the Minister of Finance is responsible for the sectoral parameters of the new tax holiday, Revenu Québec is responsible for ensuring compliance with tax legislation, particularly with regard to verifying the cumulative total eligible expenses.

The *Act respecting the sectoral parameters of certain fiscal measures* will therefore be amended so that the first annual certificate issued under the new tax holiday does not mention the total capital investments attributable to the carrying out of the investment project or the breakdown of those expenditures according to where the property that has been or will be acquired is intended to be used primarily.

³ *Act respecting the sectoral parameters of certain fiscal measures*, Schedule E, s. 10.12, 2nd para.

❑ Application date

These amendments will apply in respect of an investment project for which an initial qualification certificate application is filed after March 21, 2023.

2. Easing of the criteria governing a trainee's connection to an establishment for the application of the refundable tax credit for on-the-job training periods

The purpose of the refundable tax credit for on-the-job training periods is to support the efforts of businesses that contribute to the development of the professional competence of students and apprentices.

Briefly, a taxpayer who carries on a business in Québec, has an establishment in Québec and hires a student or apprentice for a qualified training period may, under certain conditions, benefit from the refundable tax credit for on-the-job training periods.

The tax credit is based on the qualified expenditure in respect of an eligible trainee, which consists notably of wages or salary paid to a trainee as part of a qualified training period and wages or salary paid to an eligible supervisor for the hours devoted to the supervision of the trainee. However, the qualified expenditure is curtailed by various factors based on the training period and trainee involved.

The basic rate of the tax credit is 24% where the taxpayer is a corporation and 12% where the taxpayer is an individual. These two rates are 32% and 16%, respectively, where the eligible trainee is a disabled person, an immigrant or an Aboriginal person, or where the training takes place in an establishment located in an eligible region.⁴ These rates may be increased in the case of eligible trainees enrolled in an education program or a prescribed program.

The refundable tax credit for on-the-job training periods currently provides that, in order for an apprentice or student to be considered an eligible trainee, he must, among other things, serve a training period in an establishment of the eligible taxpayer or qualified partnership located in Québec. Similarly, the enhancement applicable with respect to a training period served in an eligible region currently provide that the training period must be served in an establishment of the eligible taxpayer or qualified partnership located in an eligible region.

These connecting criteria mean that an apprentice or student is currently required to be physically present in the establishment of the eligible taxpayer or qualified partnership when he is serving the hours related to the training period.

⁴ *Eligible region* means one of the following administrative regions, regional county municipalities (RCMs) and urban agglomeration: Bas-Saint-Laurent, Saguenay–Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord, Nord-du-Québec, Gaspésie–Îles-de-la-Madeleine, Mékinac, Antoine-Labelle, La Vallée-de-la-Gatineau, Pontiac and the urban agglomeration of La Tuque.

However, teleworking is now widespread, and several educational institutions now recognize training carried out remotely, either in whole or in part. In this context, the connecting criteria for the application of the refundable tax credit for on-the-job training periods will be eased.

The tax legislation will therefore be amended so that an apprentice or student will be considered an eligible trainee when he reports for work at an establishment of the eligible taxpayer or qualified partnership located in Québec.

Similarly, the tax legislation will be amended so that the enhancement applicable to a training period served in an eligible region will apply when the apprentice or student reports for work at an establishment of the eligible taxpayer or qualified partnership located in an eligible region.

The tax legislation will also be amended to integrate the following assumptions for the application of the definition of the expression “eligible trainee”:

- if, during all or part of a taxation year or fiscal period, as the case may be, an apprentice or student reports for work at an establishment of the eligible taxpayer or qualified partnership located in Québec and at an establishment of the eligible taxpayer or qualified partnership located outside Québec, the apprentice or student will be deemed for that period:
 - to report for work only at an establishment of the eligible taxpayer or qualified partnership located outside Québec if, during this period, he reports for work mainly at an establishment of the eligible taxpayer or qualified partnership located outside Québec, or
 - to report for work only at an establishment of the eligible taxpayer or qualified partnership located in Québec in the other cases;
- if, during part or all of a taxation year or fiscal period, as the case may be, an apprentice or student is not required to report for work at an establishment of the eligible taxpayer or qualified partnership and the apprentice or student’s salaries or wages in relation to that period are paid from such an establishment located in Québec, the apprentice or student will be deemed to report for work at that establishment if the duties performed during that period are performed mainly in Québec.

The tax legislation will also be amended to integrate equivalent assumptions for the application of the enhancement applicable to a training period completed in an eligible region.

For instance, where an apprentice or student reports for work at an establishment of an eligible taxpayer or qualified partnership located in an eligible region as well as at an establishment of the eligible taxpayer or qualified partnership located outside such a region, he will be deemed to report for work only at the establishment of the eligible taxpayer or qualified partnership located in the eligible region if he reports for work mainly at that establishment.

For greater clarity, the other conditions provided for the application of the definition of *eligible trainee* and the application of the enhancement applicable in respect of a training period served in an eligible region will remain unchanged.

These amendments will apply with respect to qualified expenditures incurred after December 31, 2021.

An extension of the deadline for submitting to the Minister of Revenue the prescribed form for claiming the refundable tax credit for on-the-job training periods with the prescribed information will also be granted.

Therefore, despite the expiration of that deadline, an application may be made using the prescribed form with respect to a qualified expenditure incurred after December 31, 2021, for which the tax credit has not been claimed or could not be obtained because the connection criteria for the application of the refundable tax credit for on-the-job training periods were not met. For greater clarity, this application will be treated as a first application for the refundable tax credit for on-the-job training periods for the purpose of calculating interest on the refund, if applicable.

To benefit from such an extension, an application for the refundable tax credit for on-the-job training periods must be submitted to the Minister of Revenue using the prescribed form including the prescribed information no later than June 30, 2026.

3. Adjustment to the tax credit for caregivers regarding the primary residence of an eligible senior relative

Introduced in the 2020-2021 budget, the tax credit for caregivers was intended to replace the four components of the tax credit for informal caregivers of persons of full age.⁵ This tax assistance, applicable since 2020, consists of two components:

- component 1 consists of universal basic tax assistance (in the case of co-residency) and reducible assistance (no co-residency requirement) for a caregiver providing care to a person aged 18 or older who has a severe and prolonged impairment and needs assistance in carrying out a basic activity of daily living;
- component 2 consists of universal tax assistance for a caregiver who supports and co-resides with a relative aged 70 or over.⁶

Among the conditions that allow an individual to benefit from the refundable tax credit for caregivers are those of residing in Québec at the end of December 31 of a taxation year and not being a dependent of another individual.

⁵ MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2020-2021 – Additional Information*, March 10, 2020, pp. A.59-A.69.

⁶ Under component 1 of the tax credit for caregivers, the person receiving care is referred to as the “eligible carereceiver,” while under component 2, this person is referred to as the “eligible senior relative.”

However, with regard to the requirements for the person receiving care from the caregiver, there is currently a discrepancy between components 1 and 2 of this tax credit concerning the primary residence. Indeed, according to current tax legislation, under component 1 of the tax credit for caregivers, the dwelling that constitutes the primary residence of the eligible carereceiver must be situated in Québec, whereas this requirement does not apply to eligible senior relatives under component 2.

Therefore, to avoid granting the tax credit for caregivers to a person whose primary residence is not situated in Québec, the *Taxation Act* will be amended so that, under component 2 of the tax credit for caregivers, the place of the eligible senior relative's dwelling that constitutes his or her primary residence must be situated in Québec and must not be an excluded dwelling. As a result, the two components of this tax credit will be uniform in this respect.

□ **Application date**

The amendment to the tax legislation concerning the “eligible senior relative” will apply declaratively, that is, as of the introduction of the tax credit for caregivers.

However, this amendment will not apply to cases pending on the date of publication of this information bulletin or to notices of objection served on the Minister no later than 4 p.m. on the date of publication of this information bulletin, when the dispute concerns the place of the dwelling that constitutes the primary residence of an eligible senior relative under component 2 of the tax credit for caregivers.