
2008 Quebec Budget Summary

March 13, 2008



Table of Contents

	Page
INTRODUCTION	1
1. MEASURES CONCERNING INDIVIDUALS	1
1.1 Simplification and improvement of the tax assistance granted for home support for elderly persons (as of 2008).....	1
1.1.1 Clarifications concerning expenses incurred by spouses	1
1.1.2 Reduction on the basis of family income.....	1
1.1.3 Eligible expenses included in rent paid to live in a residence for elderly persons	2
1.1.4 Eligible expenses not included in the rent paid to live in a residence for elderly persons	3
1.1.5 Determination of eligible expenses for seniors living in an apartment building.....	3
1.1.6 Advance payments of the tax credit	4
1.1.7 Restriction on the eligibility of certain expenses for the tax credit for medical expenses.....	4
1.2 Amount for retirement income	4
1.3 Introduction of a refundable tax credit for respite expenses of informal caregivers	4
1.3.1 Calculation of the tax credit	4
1.3.2 Person with a significant disability	4
1.3.3 Specialized respite services	4
1.4 New measures to increase the incentive to work	4
1.4.1 New work premium for people with a severely limited capacity for employment (“Adapted Work Premium”).....	4
1.4.2 Supplement for long-term recipients giving up last-resort financial assistance.....	5
1.5 Indexation of the parameters of certain measures.....	5
1.6 Enhancement of the stock option deduction granted to employees of innovative SMEs.....	5
1.7 Greater recognition of meal expenses for commission employees	6
1.8 Enhancement of the tax credit for child care expenses	6
1.9 Improvement of the tax assistance granted to people who turn to medical assistance or adoption to become parents.....	6
2. MEASURES CONCERNING BUSINESSES.....	6
2.1 Measures to foster private investment and the economic development of every region.....	6
2.2 Introduction of an investment tax credit (ITC) for manufacturing and processing equipment	7
2.2.1 Eligible corporation	7
2.2.2 Eligible investments.....	7
2.2.3 Rate of the investment tax credit.....	7
2.2.4 Refundability of the tax credit according to the size of the corporation.....	8
2.2.5 Election of applicable tax assistance.....	8
2.3 Refundable tax credit for the Vallée de l’aluminium at a reduced rate.....	8
2.4 Refundable tax credit for Gaspésie and certain maritime regions of Quebec.....	8
2.5 Elimination of the tax on capital for manufacturing corporations.....	9
2.5.1 Manufacturing corporation.....	9
2.5.2 Effect of the elimination of the tax on capital for certain manufacturing corporations on the capital tax credit.....	9
2.6 Introduction of a tax credit for the development of e-business.....	9
2.6.1 Eligible corporation	9
2.6.2 Election relating to the application of another tax credit.....	10

Table of Contents

		Page
2.7	Introduction of a tax credit for francization in the workplace	10
2.8	Improvement to the tax credit for on-the-job training periods.....	10
2.8.1	Eligible trainee	10
2.8.2	Rate of the tax credit	10
2.8.3	Maximum number of hours of supervision	10
2.8.4	Weekly cap	11
2.8.5	Application date	11
2.9	New improvements to tax assistance for Research and Development (R&D).....	11
2.9.1	Improvement to the refundable tax credit for R&D salary	11
2.9.2	Improvement to the refundable tax credit for private partnership pre-competitive research.....	11
2.9.3	Improvement to the refundable tax credit for pre-competitive research and for university R&D	11
2.10	Measures concerning culture	11
2.10.1	Change to the rate and the cap of the refundable tax credit for the production of shows.....	11
2.10.2	Entertainment expenses.....	12
2.11	Inter-provincial tax avoidance.....	12
3.	OTHER MEASURES	12
3.1	Measures to improve the administration of the fiscal laws.....	12
3.2	Use of a person's computer hardware in the course of an audit, inspection or investigation	12
4.	MEASURES RELATING TO THE FEBRUARY 26, 2008 FEDERAL BUDGET	13
	NOTICE TO USERS.....	14

INTRODUCTION

The 2008-2009 Budget, tabled today before the National Assembly by Finance Minister Monique Jérôme-Forget, is in line with the government's plan to create a new economic space for Quebec in order to enhance the well-being of all Quebecers.

"This budget, prepared in the context of an economic slowdown, is marked by prudence and discipline. It is a balanced budget that does not provide for any tax increases." The following is a summary of the measures she announced.

1. MEASURES CONCERNING INDIVIDUALS

1.1 *Simplification and improvement of the tax assistance granted for home support for elderly persons (as of 2008)*

Overview of the principal amendments that will be made to the tax legislation regarding home support for elderly persons

- Increase from 25% to 30% in the rate of the tax credit
 - Increase in the eligible expenses limit from \$15,000 to \$15,600 for individuals not recognized as dependent seniors
 - Increase in the eligible expenses limit from \$15,000 to \$21,600 for dependent seniors¹
 - Reduction of the tax credit on the basis of family income in excess of \$50,000
-

1.1.1 **Clarifications concerning expenses incurred by spouses**

Where a senior entitled to the tax credit for a given year is the eligible spouse of another senior who is also entitled to the tax credit for the year, only one of them may claim the tax credit for the household.

When a couple separates, if the individuals concerned do not agree on the amount that may be included in the calculation of their respective eligible expenses, the Minister of Revenue will determine for them the amount that may be included.

1.1.2 **Reduction on the basis of family income**

The maximum amount of an individual's tax credit will be reduced on the basis of his or her family income, and the reduction rate will be 3% on every dollar of family income that exceeds an annual threshold of \$50,000.

¹ Individuals will be entitled to the annual eligible expenses limit for dependent seniors for a given year if, according to a written attestation from a physician, they depend and will continue to permanently depend, for a prolonged and indefinite period, on other people for most of their needs and personal care (personal hygiene, dressing, eating and mobility or transfers), or they need constant supervision because of a serious mental disorder characterized by an irreversible breakdown in thought activity.

1.1.3 Eligible expenses included in rent paid to live in a residence for elderly persons

As of 2008, individuals who pay rent to live in a residence for elderly persons must determine the amount of their eligible expenses included in rent using the table for determining expenses that is applicable to them.

Table for Determining Expenses on an Individual Basis

	Total monthly rent		
	Equal to or less than \$1,000	More than \$1,000 without exceeding \$2,000	More than \$2,000
	Amount (\$)	Applicable rate (%)	Amount (\$)
Home support services			
– Basic component	150	15	300
– Laundry service (service for the care of clothing and household linens)	50	5	100
– Housekeeping	50	5	100
– Food service (meal preparation or delivery service)			
▪ Two meals a day	150	15	300
▪ Three meals a day	200	20	400
– Nursing service	100	10	200
– Personal care service (non-professional assistance service)			
▪ Base	100	10	200
▪ Supplement for a dependent senior	100	10	10% of total monthly rent
Maximum established on the basis of total monthly rent			
– General	65%	65%	65%
– Dependent senior	75%	75%	75%

Table for Determining Expenses on a Household Basis

	One eligible spouse			Eligible couple		
	Applicable rate (%)	Minimum amount (\$)	Maximum amount (\$)	Applicable rate (%)	Minimum amount (\$)	Maximum amount (\$)
Home support services						
– Basic component	10.5	150	300	10.5	150	300
– Laundry service (service for the care of clothing and household linens)	3.5	50	100	5	75	100
– Housekeeping	3.5	50	100	3.5	50	100
– Food service (meal preparation or delivery service)						
▪ Two meals a day	10.5	150	300	21	300	600
▪ Three meals a day	13.5	200	400	27	400	800
– Nursing service	7	100	200	7	100	200
– Personal care service (non-professional assistance service)						
▪ Base	7	100	200	14	200	400
▪ Supplement for a dependent senior			7% of total monthly rent			7% of total monthly rent
	7	100		7	200	
Maximum established on the basis of total monthly rent						
– General		65%	65%		65%	65%
– Dependent senior		75%	75%		75%	75%

The total monthly rent will be that paid for the dwelling unit, regardless of which spouse pays the rent or the way in which the rent is split between them.

1.1.4 Eligible expenses not included in the rent paid to live in a residence for elderly persons

The tax legislation will be amended to specify that personal care services relate only to personal hygiene, dressing, eating and mobility or transfers with respect to individuals who, because of their condition, do not have the autonomy required to care fully for themselves.

It follows that seniors who go to a hair salon (outside or inside the building in which they live) may not include, in the calculation of their expenses eligible for the tax credit, the amount paid for the hairstyling service obtained.

1.1.5 Determination of eligible expenses for seniors living in an apartment building

Where seniors pay rent to live in an apartment building (other than a residence for elderly persons or a component of the health and social services network), the amount of eligible expenses included in rent must be determined by applying a rate of 5% to the monthly rent for the dwelling unit of which they are lessees, co-lessees or sub-lessees, to a maximum monthly rent of \$600.

1.1.6 Advance payments of the tax credit

In the case of an elderly couple in which both spouses are entitled to the tax credit, the request for advance payments may be submitted by only one of the spouses.

Seniors who were already registered for advance payments of the tax credit with respect to eligible expenses included in their rent will continue to receive, as their monthly advance payment, the same amount as in January and February until their new request is processed.

1.1.7 Restriction on the eligibility of certain expenses for the tax credit for medical expenses

The tax legislation will be amended to provide that amounts paid after December 31, 2007, that are eligible for the refundable tax credit for home support for elderly persons, will not be considered as eligible medical expenses.

1.2 Amount for retirement income

An individual's maximum eligible retirement income used to calculate the tax credit will be raised from \$1,500 to \$1,750 for the 2009 taxation year, and to \$2,000 as of the 2010 taxation year.

1.3 Introduction of a refundable tax credit for respite expenses of informal caregivers**1.3.1 Calculation of the tax credit**

As of 2008, informal caregivers who are resident in Quebec at the end of a given year may claim a refundable tax credit for that year equal to 30% of the total expenses they paid in the year, to a maximum of \$5,200, for specialized respite services respecting the care and supervision of a person who, at the time the expenses were incurred, ordinarily lived with them and had a significant disability.

The maximum amount of the tax credit will be reduced at a rate of 3% on every dollar of family income that exceeds an annual threshold of \$50,000.

1.3.2 Person with a significant disability

A person will be considered to have a significant disability if the person is at least 18 years old, cannot be left without supervision because of the disability, and meets the following conditions:

- the person is the informal caregiver's spouse, or a family member;
- the person has a severe and prolonged impairment in physical or mental functions or is receiving palliative care.

1.3.3 Specialized respite services

Specialized respite services are services that are provided by an individual who holds a recognized diploma or degree.

1.4 New measures to increase the incentive to work**1.4.1 New work premium for people with a severely limited capacity for employment ("Adapted Work Premium")**

A new work premium will be granted as of the 2008 taxation year to individuals who are part of a household that includes an adult with a severely limited

capacity for employment and who meet the conditions for receiving the existing work premium.

Individuals will be considered to be part of a household that includes an adult with a severely limited capacity for employment if:

- they receive a social solidarity allowance during the year under the Social Solidarity Program because their condition severely limits their capacity for employment;
- they are the eligible spouse of an individual who receives a social solidarity allowance during the year;
- they or their eligible spouse for the year received during one of the five years preceding the given year a social solidarity allowance;
- they or their eligible spouse for the year is entitled, for the year, to the tax credit for severe and prolonged impairment in physical or mental functions.

Individuals will not be permitted to apply for both the existing and the adapted work premium.

Parameters used to calculate the adapted work premium (2008)

	Person living alone	Couple without children	Single-parent family	Couple with children
Excluded work income	\$1,200	\$1,200	\$1,200	\$1,200
Tax credit rate	9%	9%	25%	20%
Reduction threshold	\$12,346	\$17,606	\$12,346	\$17,606
Reduction rate	10%	10%	10%	10%
Maximum adapted work premium	\$1,003.14	\$1,476.54	\$2,786.50	\$3,281.20
Cut-off threshold (family income)	\$22,377.40	\$32,371.40	\$40,211	\$50,418

1.4.2 Supplement for long-term recipients giving up last-resort financial assistance

A recipient will be awarded, on an individual basis for a maximum of 12 consecutive months, an additional amount of \$200 for each month in which his or her work income will be at least \$200, after March 31, 2008.

1.5 Indexation of the parameters of certain measures

As of January 1, 2009, the following measures will be automatically indexed:

- deduction for workers (currently \$1,000);
- amount for emergency services volunteers (currently \$1,000);
- refundable tax credit for holders of a taxi driver's or owner's permit (currently \$500);
- amount with respect to age (currently \$2,200).

1.6 Enhancement of the stock option deduction granted to employees of innovative SMEs

The stock option deduction granted to employees of innovative SMEs will be raised from 25% to 50%.

The increase in the rate will apply to any event, operation or circumstance relating to a stock option granted by a corporation that agrees, after March 13, 2008, to sell or issue a share of its capital stock to its employees.

A corporation will be considered an SME carrying out innovative activities for a given calendar year that includes a time when a stock option is granted, if, during that year, it carries on a business and has an establishment in Quebec, and meets the following conditions:

- the amount of its assets and the assets of the corporations with which it is associated is less than \$50 million;
- it was granted an amount as a refundable R&D tax credit for its taxation year ended in the given year, or for one of the three previous taxation years.

1.7 Greater recognition of meal expenses for commission employees

The tax legislation will be amended to provide that the 12-hour rule will no longer apply to business meals consumed, after March 13, 2008, by commission employees whose office or employment is connected with the selling of property or negotiating of contracts on behalf of their employer.

1.8 Enhancement of the tax credit for child care expenses

The Rate table used to determine the refundable tax credit for child care expenses will be replaced as of 2009, before indexation.

Family income (\$)			Family income (\$)			Family income (\$)		
Over	But not over	Tax credit rate %	Over	But not over	Tax credit rate %	Over	But not over	Tax credit rate %
—	30,795	75	42,195	43,330	64	89,000	90,155	46
30,795	31,930	74	43,330	44,475	63	90,155	91,310	44
31,930	33,075	73	44,475	45,610	62	91,310	92,465	42
33,075	34,210	72	45,610	46,755	61	92,465	93,620	40
34,210	35,350	71	46,755	82,100	60	93,620	94,775	38
35,350	36,485	70	82,100	83,245	58	94,775	95,930	36
36,485	37,635	69	83,245	84,380	56	95,930	97,085	34
37,635	38,775	68	84,380	85,535	54	97,085	98,240	32
38,775	39,910	67	85,535	86,690	52	98,240	99,395	30
39,910	41,045	66	86,690	87,845	50	99,395	100,550	28
41,045	42,195	65	87,845	89,000	48	100,550	and more	26

1.9 Improvement of the tax assistance granted to people who turn to medical assistance or adoption to become parents

As of 2008, the rate of the refundable tax credits for the treatment of infertility and for adoption expenses will be raised from 30% to 50% (eligible amounts remain capped at \$20,000).

2. MEASURES CONCERNING BUSINESSES

2.1 Measures to foster private investment and the economic development of every region

The expiration of the three refundable tax credits granted in the resource regions, called "regional tax credit" (such as the refundable tax credit for processing

activities in the resource regions, the refundable tax credit for Gaspésie and certain maritime regions of Quebec and the refundable tax credit for the Vallée de l'aluminium) will be delayed to December 31, 2010.

2.2 Introduction of an investment tax credit (ITC) for manufacturing and processing equipment

2.2.1 Eligible corporation

In general, any corporation other than an excluded corporation that, during a taxation year, carries on a business and has an establishment in Quebec may, under certain conditions, claim the investment tax credit for such taxation year.

The expression "excluded corporation," for a taxation year, means:

- a corporation that is tax-exempt for the year;
- a Crown corporation or a subsidiary wholly controlled by such corporation
- an aluminum producing corporation;
- an oil refining corporation.

2.2.2 Eligible investments

Eligible investments for the purposes of this investment tax credit are assets that qualify as manufacturing and processing equipment, i.e. assets of class 43 of Schedule B of the *Regulation respecting the Taxation Act*.

In addition, these assets will be covered by the same rules as those that apply to assets covered by the capital tax credit, in particular the requirement that they begin to be used within a reasonable time, for a period of at least 730 days, solely in Quebec and mainly in the course of carrying on a business. Similarly, the assets must be new and paid for at the time of the credit request.

The assets must be acquired after March 13, 2008 and before January 1, 2016, unless:

- they are acquired in accordance with a written obligation contracted no later than March 13, 2008;
- their construction, by the taxpayer or on his behalf, was underway on March 13, 2008.

Moreover, the amount of the eligible investment must be reduced by the amount of any government assistance, any non-government assistance and any profit or gain, according to the usual rules. In this regard, the federal investment tax credit will not constitute government assistance in the determination of the amount of an investment eligible for the investment tax credit.

2.2.3 Rate of the investment tax credit

The rate of the investment tax credit an eligible corporation may claim will be 5%. However, this rate will be increased to 20% where the eligible investment is made in an intermediate zone, to 30% where this investment is made in the Bas-Saint-Laurent region and to 40% where this investment is made in a remote zone.

2.2.4 Refundability of the tax credit according to the size of the corporation

This tax credit will be fully refundable for corporations whose paid-up capital (considering associated corporations, determined on a world basis) does not exceed \$250 million. Refundability will decline linearly for paid-up capital, so calculated, between \$250 million and \$500 million. Any non-refundable portion of the tax credit may be carried forward.

2.2.5 Election of applicable tax assistance

A corporation that is eligible for the regional tax credit may, for a taxation year ending after March 13, 2008, irrevocably elect to receive the new investment tax credit for such taxation year.

Making this election will irrevocably withdraw the corporation's right to the regional tax credit that it could have claimed for the calendar year ending in such taxation year and subsequent calendar years.

2.3 Refundable tax credit for the Vallée de l'aluminium at a reduced rate

The period during which an eligible corporation may claim the refundable tax credit for the Vallée de l'aluminium will be extended until December 31, 2015², but the applicable rate will be reduced to 20% as of calendar year 2008.

An eligible corporation may, regarding a taxation year ending after March 13, 2008, exceptionally elect to benefit from both these assistance mechanisms (reduced rate and RTC) in lieu of the refundable tax credit for the Vallée de l'aluminium at 30%.

2.4 Refundable tax credit for Gaspésie and certain maritime regions of Quebec

The notion of "certified business" will be broadened, regarding the Gaspésie-Îles-de-la-Madeleine region, as of calendar year 2008, to also designate a business whose activities are manufacturing activities and, incidentally, the commercialization of the results of such activities.

The changes relating to the extension until 2015 of the tax credit at a reduced rate of 20%, the application of the tax credit at the reduced rate as well as the investment tax credit made to the refundable tax credit for the Vallée de l'aluminium will also be made, according to the same rules, to the refundable tax credit for Gaspésie and certain maritime regions of Quebec.

An eligible corporation operating in the marine biotechnology or mariculture sector may continue to benefit from the refundable tax credit for Gaspésie and certain maritime regions of Quebec at the 40% rate until December 31, 2015.

² For greater clarity, an eligible corporation that begins to carry on a certified business no later than March 31, 2008 may continue to receive this tax credit at 30% until it expires on December 31, 2010.

2.5 *Elimination of the tax on capital for manufacturing corporations*

2.5.1 *Manufacturing corporation*

A manufacturing corporation whose proportion of activities attributable to manufacturing and processing activities, for a given taxation year, is 50% or more, may claim a deduction in calculating its paid-up capital, for such taxation year, corresponding to the amount of such paid-up capital. Such corporation will thus completely eliminate the capital tax regarding such taxation year.

Two items are taken into consideration to determine the proportion of a corporation's activities attributable to manufacturing and processing activities: assets and labour defined according to the criteria used in the *Income Tax Regulations* for the purposes of determining profits from manufacturing and processing.

Moreover, where such proportion, for a given taxation year, is between 50% and 20%, the deduction a manufacturing corporation may claim in calculating its paid-up capital, regarding such taxation year, is reduced linearly.

This deduction will apply regarding a taxation year ending after March 13, 2008.

2.5.2 *Effect of the elimination of the tax on capital for certain manufacturing corporations on the capital tax credit*

Eligible investments made as of March 13, 2008 will no longer give rise to a non-refundable capital tax credit.

Moreover, the capital tax credit relating either to an eligible investment made during the taxation year including March 13, 2008, or an eligible investment covered by the transition rules, as well as any unused balance of capital tax credit, may be applied against the tax on capital otherwise payable for such taxation year, or carried forward to a subsequent taxation year, according to the stipulated terms and conditions. However, any balance of the capital tax credit unused at the end of the taxation year including December 31, 2010 will be cancelled because of the complete elimination of the tax on capital.

2.6 *Introduction of a tax credit for the development of e-business*

An eligible corporation may claim a refundable tax credit equal to 30% of the eligible salaries it incurs as of March 13, 2008 and paid to eligible employees to carry out eligible activities. An eligible corporation may claim this tax credit regarding such salaries incurred until December 31, 2015. The maximum amount of the tax credit that an eligible corporation may claim regarding an eligible employee, for a taxation year, will be limited to \$20,000, calculated on an annual basis.

2.6.1 *Eligible corporation*

Any corporation, other than an excluded corporation, which, during a taxation year, has an establishment in Quebec where it carries on a business whose activities are part of the information technology sector, may claim for such year, under certain conditions, the tax credit for the development of e-business.

However, such corporation will have to obtain, each year, an eligibility certificate from Investissement Québec confirming that at least 75% of its activities for the

taxation year constituted eligible activities and that at any time, such eligible activities required a minimum of six full-time eligible employees.

The expression “eligible activities” does not include:

- the operation of an e-business solution;
- the operation of a customer contact centre.

2.6.2 Election relating to the application of another tax credit

A corporation eligible for either the tax credit relating to salaries for an innovative project, the tax credit relating to the carrying out of specified activities in a designated site, the tax credit relating to the salaries of employees working in E-Commerce Place or the refundable credit for the employer contribution to the Health Services Fund, that would otherwise be eligible for the tax credit for the development of e-business, may, for a taxation year ending after March 13, 2008, irrevocably elect to receive, in lieu of such other tax credit, the new tax credit for the development of e-business, for such taxation year.

Making this election will irrevocably withdraw the right to such other tax credit that the corporation could have claimed for such taxation year and subsequent taxation years.

2.7 Introduction of a tax credit for francization in the workplace

This assistance will consist of a 30% refundable tax credit that any eligible employer operating in Quebec may claim regarding training expenditures relating to francization it incurs for its immigrant employees.

The tax credit will apply regarding an eligible training expenditure incurred after March 13, 2008; and before January 1, 2012.

The legislation will be amended so that henceforth a training expenditure relating to francization gives rise solely to this tax credit and no longer constitutes an eligible training expenditure for the purposes of the refundable tax credit for manpower training in the manufacturing sector.

2.8 Improvement to the tax credit for on-the-job training periods

2.8.1 Eligible trainee

The improved tax credit may be claimed with respect to a trainee who is a handicapped person or an immigrant at any time of an eligible training period.

2.8.2 Rate of the tax credit

The tax legislation will be amended to raise these rates from 30% to 40% if the eligible employer is a corporation and from 15% to 20% in other cases where the tax credit is claimed regarding an eligible trainee who is a handicapped person or an immigrant.

2.8.3 Maximum number of hours of supervision

The tax legislation will be amended to double the maximum number of hours of supervision an employer may include in calculating the eligible expenditure regarding an eligible trainee who is a handicapped person.

2.8.4 Weekly cap

The weekly cap on the eligible expenditure, currently set at \$750 or \$600, as the case may be, will be raised to \$1,050 and \$750 respectively, for a handicapped person.

2.8.5 Application date

These changes will apply regarding an eligible expenditure incurred after March 13, 2008, in relation to an eligible training period beginning after that day.

2.9 *New improvements to tax assistance for Research and Development (R&D)***2.9.1 Improvement to the refundable tax credit for R&D salary**

The tax legislation will be amended so that the spending limit for R&D that applies to the increased rate of 37.5% will be raised to \$3 million.

This change will apply regarding R&D spending eligible for this tax credit incurred by a Canadian-controlled corporation for a fiscal period ending after March 13, 2008. For a fiscal period that includes this day, the new spending limit of \$3 million will be established according to the proportion of the number of days in such fiscal period that are after that day.

2.9.2 Improvement to the refundable tax credit for private partnership pre-competitive research

Partnerships with public partners will henceforth be eligible for the refundable tax credit for private partnership pre-competitive research.

This change will apply regarding a taxation year of a taxpayer ending after March 13, 2008.

2.9.3 Improvement to the refundable tax credit for pre-competitive research and for university R&D

The tax legislation will be amended so that some R&D expenditures incurred or supported are deemed not to be a contribution for the taxpayer.

This change will apply to an R&D expenditure incurred or supported after March 13, 2008 regarding R&D work.

2.10 *Measures concerning culture*

Circus shows, aquatic shows and ice shows will henceforth constitute shows eligible for the refundable tax credit for the production of shows.

This change will apply regarding a show 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 the Société de développement des entreprises culturelles (SODEC) after March 13, 2008, in relation to an eligibility period of the show beginning after that day.

2.10.1 Change to the rate and the cap of the refundable tax credit for the production of shows

The rate of the refundable tax credit for the production of shows will be 29.1667% and the cap will be \$750,000 for a taxation year, where such total assets are

equal to or less than \$50 million for the preceding taxation year. These rates and cap will decline linearly to zero where total assets reach \$75 million.

2.10.2 Entertainment expenses

The 50% limit relating to the deduction of entertainment expenses will not apply in calculating the eligible labour expenditure and production expenses for the purposes of the various tax credits in the cultural field.

The application of this amendment will be declaratory.

2.11 Inter-provincial tax avoidance

Elimination of the election for determining a fiscal period end date different from that set for purposes of the federal legislation

The tax legislation will be amended to provide that the fiscal period end date of a corporation must be synchronized with the one chosen for the purposes of the *Income Tax Act*.

This measure will apply as of December 20, 2006.

The purpose of this amendment is not to restrict the application of the general anti-avoidance rule regarding a non-synchronized fiscal period not covered by this amendment.

No penalty for late filing or interest on the balance or instalments will be imposed before the expiry of a period of six months starting the day the bill giving effect to this amendment is assented to.

3. OTHER MEASURES

3.1 Measures to improve the administration of the fiscal laws

The *Act respecting the ministère du Revenu* (AMR) will be amended so that the Minister can exercise its powers to suspend, revoke or refuse to issue a certificate or permit, under a fiscal law, against a person in the following situations:

- during the preceding five years, one of the directors or senior officers of the person has been convicted of an offence against a fiscal law or the person was assessed a penalty for behaviour of a fraudulent nature, or one of its directors or senior officers was assessed such a penalty;
- the person failed to pay an amount it was required to pay as a director of a corporation.

These amendments will come into force on the date the bill giving effect to them is assented to.

3.2 Use of a person's computer hardware in the course of an audit, inspection or investigation

The AMR will be amended to clearly give the auditors and inspectors of Revenu Quebec the power to use the computer hardware of a person (for instance, the computer, terminal, printer or burner) in the course of exercising their powers to audit or examine the supporting documents and registers of a person.

4. MEASURES RELATING TO THE FEBRUARY 26, 2008 FEDERAL BUDGET

Measures retained:

1. the implementation of tax-free savings accounts;
2. the time limits applicable to registered education savings plans;
3. the educational assistance payments from registered education savings plans;
4. the adjustments to the gross-up rates applicable to eligible dividends;
5. the addition and clarifications to the list of eligible expenses for the purposes of the non-refundable medical expense tax credit;
6. the end of a registered disability savings plan;
7. gifts of publicly-traded securities to registered charities;
8. the deduction for inhabitants of northern regions;
9. the disposition of taxable Canadian property;
10. the donation of medicines to developing countries;
11. the amendments pertaining to capital cost allowance applicable to certain types of assets.

In addition, although they require no legislative or regulatory amendments, the measures relating to excess corporate holdings by private foundations will also be retained for the purposes of Quebec's tax system.

NOTICE TO USERS

You are free to reproduce the contents of this Quebec Budget Summary as you please. Acknowledgment of the Ordre des comptables agréés du Québec is at your option, but would be greatly appreciated.

This Budget Summary is based on the documents issued by the Quebec government. The legislation, when enacted, may vary from the summary described herein. Professional advice should be obtained.

The Ordre des comptables agréés du Québec has acted solely as publisher of this Budget Summary. Consequently, neither the Ordre nor any person involved in its preparation accepts any contractual, delictual or other form of liability for its contents or for any consequences arising from its use.

The Ordre wishes to gratefully acknowledge the contribution of Luc Lacombe, FCA, First vice-president, Pratte, Bélanger, Chartered Accountants Inc., Chantal Amiot, CA, M. Fisc., Director of taxation with the firm Bernard Gagné, CA, as well as that of Jane Finlayson, C.Tr., and Nathalie Lambert, C.Tr., CICA Language Services, and Daniel Benard, CA, OCAQ, vice-president, Professional Products and Services, and his staff.