Improvements to the tax holiday for large investment projects

December 15, 2017

Summary

A company participating in carrying out a large investment project in Québec (“LIP”) may, under certain conditions, benefit from a 15-year tax holiday on the income from its eligible activities related to the LIP, as well as a holiday from employer contributions to the Health Services Fund (“HSF”).

The corporation or partnership must first submit an application for an initial certificate to the Minister of Finance before commencement of the project, and by December 31, 2020 at the latest. A corporation or partnership that obtained an initial certificate for a LIP can ask the Minister of Finance to modify the certificate to add a second LIP to be included in the extension of the first LIP.

Context

The purpose underlying the tax holiday for an LIP is to stimulate and accelerate significant investment in Québec in accordance with the government’s strategic objectives, create jobs and foster economic development . The tax holiday consists of a deduction in the calculation of taxable income for the taxation year, in the case of a corporation .

The tax holiday also consists of an exemption from employer contributions to the HSF, with regard to the wages paid to employees for that part of their time spent on eligible LIP-related activities .

The total value of the tax holiday may not exceed 15% of the total eligible investment expenditures determined on the date the tax holiday period commences .

In the 2017-2018 budget, the deadline for submitting the initial certificate application for the 15-year tax holiday has been extended to December 31, 2020 .

Qualification as an LIP

To qualify as an LIP, a project must:

- concern manufacturing, data processing and hosting, wholesale trade, or warehousing and storage;
- satisfy a minimum investment requirement of $100 million . That threshold is reduced to $75 million for projects in certain regions (more than 150 kilometers from Montréal and more than 100 kilometers from Québec City and Gatineau) .

Improvement No. 1
Deadline for submitting an application for an initial certificate extended to December 31, 2020

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To benefit from the tax holiday, a corporation must first obtain an initial certificate and annual attestations issued by the Minister of Finance . The application for an initial certificate must be made before the commencement of the investment project, and by November 20, 2017 at the latest . However, in the 2017-2018 budget, that deadline has been extended to December 31, 2020 .

The issuance date of the initial certificate marks the 60-month period during which the corporation must reach the minimum investment threshold . It should be noted that the tax holiday is not granted during the 60-month period . The 15-year tax holiday is granted only after issuance of the first annual attestation relating to the investment project .

Improvement No. 2
Option to add an additional phase to an LIP

The scale of certain LIPs may require that they be carried out in several phases . Now, a company that has obtained an initial certificate for an LIP (“Phase I”) may apply for a modification to the certificate to add a second LIP (“Phase II”) to be included in the extension of the first LIP .

The application for modification must be submitted to the Minister of Finance no later than the date of the first request for an annual attestation in respect of Phase I, and by the January 1, 2021 deadline .

Phase I and Phase II investments should each be clearly identified and separate accounts must be kept for each . The additional phase will also be subject to the 60-month investment period .

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