

Taxation in Québec

Favourable Measures to Foster Investment 2025

Palais des congrès de Montréal, Québec

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Intended especially for foreign companies considering investing in Québec, *Taxation in Québec: Favourable Measures to Foster Investment* provides an overview of the principal tax measures that apply to companies operating in Québec.

In addition to very attractive tax measures, Québec has given Investissement Québec specific tools that enable it to act as a financial partner to businesses. This brochure focuses on tax issues. Also, Investissement Québec provides businesses with a range of financial solutions that complement those offered by financial institutions. These solutions may include conventional loans, loan guarantees, non-refundable contributions or equity interests. Further information about these financial products can be obtained from Investissement Québec at 1 844 474-6367 or by logging on to investquebec.com.

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A foreign corporation carrying on business in Québec is subject to Canadian and Québec income taxes on business income earned in Québec. Like the federal government, the Québec government administers and collects its own personal and corporate income taxes. In general, taxable income is computed the same way under both systems; however, Québec uses its tax system to provide businesses with incentives to stimulate the Québec economy. As a result, there are numerous tax measures that can be used as a source of financing.

CARRYING ON BUSINESS

Foreign investors wanting to carry on business in Québec can incorporate their business or set up a branch. A corporation is a separate legal entity that can be incorporated under the *Canada Business Corporations Act* or the *Companies Act* (Québec). A branch is a commercial establishment that is part of a corporation located in a foreign country.

While, as a general rule, non-residents of Canada carry on business here through incorporated subsidiaries of foreign corporations, a large number do in fact use branches. The type of entity used to carry on business in Québec depends on the related legal, tax, economic and commercial consequences.¹

This brochure focuses primarily on tax measures applying to corporations carrying on business in Canada.

¹ Particular attention should be paid to how Québec operations are financed so as not to run afoul of rules that may limit interest deductibility in Canada. The analysis must therefore take account of transfer pricing rules regarding the level of debt and interest that may be charged and thin capitalization rules that limit interest deduction on a corporation's debt owing to certain non-resident persons when the debt is more than one and a half times the amount of the corporation's equity (ratio of 60% debt to 40% equity). For purposes of the application of the debt/equity ratio to a Canadian branch of a non-resident corporation or trust, the branch's equity is generally deemed to correspond to 40% of the excess of the cost of goods used in the branch's business over the amount of debt attributed to the branch. Moreover, there are rules limiting to a certain proportion of earnings (30% of adjusted taxable income) the amount of interest and other financing expenses that businesses can deduct for tax purposes. These "excessive interest and financing expenses limitation" (EIFEL) rules apply along with the existing thin capitalization rules.

NON-RESIDENT INCOME TAX

Carrying on Business Through a Corporation

In Canada, a Canadian resident corporation (according to the mind and management concept) or a corporation incorporated under Canadian law is taxed on its worldwide income from all sources independently from its shareholders. Federal non-resident tax must be withheld on any amount paid by the corporation to non-residents for dividends, interest, royalties or management or administration fees. Non-resident tax is a federal jurisdiction; thus, there is no provincial equivalent.

The general withholding rate is 25%, but it may be reduced or eliminated under a tax treaty signed by Canada and the country of residence for taxation purposes of the recipient of the payment. Canada has signed more than 90 tax treaties that eliminate or reduce the withholding rate, which in general may range from 0% to 15%, depending on the type of payment and the country in question. For example, several of these treaties reduce the tax withheld on dividends paid to non-resident corporations to 5% if they are the recipient of the dividend and own at least 10% of the Canadian corporation's voting rights. The Canada–U.S. Tax Convention is another example: it sets the withholding rate on interest paid to a U.S. recipient at 0%, whereas many tax treaties set it at 10%.

Tax treaties may include a mechanism to suspend the benefits of the treaty when the recipient of the payment does not hold effective ownership of the amount paid or is not an eligible person. In addition, following the adoption of the Multilateral Convention,² the benefits of a tax treaty may be reviewed if one of the main objectives of tax planning is to obtain tax benefits.³ Finally, an additional minimum tax of 15% applies to qualifying multinational enterprise (MNE) groups on profits these entities earn in Canada⁴ and in every country in which they operate.

Tax compliance obligations may also apply to a Canadian corporation that takes part in operations with foreign entities, particularly the obligation to file certain information returns.⁵

Carrying on Business Through a Branch

A foreign corporation that carries on business in Canada through a branch is subject to corporate income tax in Canada on its taxable income attributable to that establishment (combined federal and Québec rates: 26.5%). In addition to corporate income tax, a branch tax is payable, equal to 25% of the after-tax earnings not reinvested in the Canadian business. Branch tax is comparable to the dividend withholding tax that would be paid if a Canadian corporation repatriated profits as dividends paid to its non-resident shareholder. Once again, the branch tax rate may be lower when there is a tax treaty between Canada and the recipient's country of residence for tax purposes. For example, the Canada–U.S. Tax Convention reduces the rate to 5% and also exempts the first \$500,000 of income earned in Canada.

² The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting is the outcome of the OECD project to combat base erosion and profit shifting (BEPS Project).

³ Most of the clauses implementing these mechanisms were introduced through the Multilateral Convention. This tool is the outcome of a global initiative involving more than 100 jurisdictions, including Canada. It enables the nearly 90 participating jurisdictions to implement tax measures to control the erosion of the tax base and the shifting of profits without having to renegotiate each of their tax treaties bilaterally. The multilateral instrument came into force in Canada on December 1, 2019. Nevertheless, the process of ratification and coming into force is not complete in all countries and is still under way. Each case must be subject to a specific analysis.

⁴ The *Global Minimum Tax Act*, which received royal assent on June 20, 2024, ensures that certain qualifying MNE groups are subject to an effective minimum tax rate on their profits in each jurisdiction in which they operate. Members of qualifying MNE groups may have to register for a global minimum tax program account and file one or more forms. For more information, consult <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/global-minimum-tax.html>.

⁵ T106 – *Information Return of Non-Arm's Length Transactions with Non-Residents*, NR4 – *Statement of Amounts Paid or Credited to Non-Residents of Canada*, T1134 – *Information Return Relating to Controlled and Non-Controlled Foreign Affiliates* and T1135 – *Foreign Income Verification Statement*.

Withholding and Branch Tax Rates Based on Tax Treaties

The following table indicates the rates for the non-resident withholding tax on different types of payments from Canada and the branch tax for countries with which Canada has signed a tax treaty.

Non-Resident Withholding Tax Rate (2025)					
	Dividend ¹	Interest ²	Royalty ³	Management Fee ⁴	Branch Tax
United States	5% or 15%	0%	0% or 10%	0%	5%
France	5%, 10% or 15%	10%	0% or 10%	0%	5%
United Kingdom	5% or 15%	10%	0% or 10%	0%	5%
Ireland	5% or 15%	10%	0% or 10%	0%	5%
Germany	5% or 15%	10%	0% or 10%	0%	5%

¹ Varies according to percentage of share ownership, duration of holding and type of entity that owns the shares.

² No withholding for payments at arm's length, under Canadian tax legislation.

³ Varies according to nature of royalty payments.

⁴ No withholding if services are rendered in the country of the recipient of the amounts paid and the service supplier has no permanent establishment in Canada.

INVESTMENT CANADA ACT

Pursuant to the *Investment Canada Act*, the incorporation of new Canadian businesses and acquisition of control of existing Canadian businesses by foreign investors require the filing of a notice of investment or a request for review by the federal authorities, unless an exemption is granted.

Bill C-34, entitled *An Act to Amend the Investment Canada Act*, received royal assent on March 22, 2024. Among other things, this act introduces new classes of foreign investments for which a notice of investment must be filed. Although some of its provisions came into force on September 3, 2024, others, including the new classes of investments involved, require an order in council before they come into force. It is possible that this will occur next year.

Except as described above or as exempted, a notice of investment must be filed each time a foreign investor incorporates a new business in Canada and each time an investor acquires control of an existing Canadian business, unless the investment is a reviewable transaction. There are several variables that determine whether an investment is reviewable, including the value of the assets of the Canadian business over which the foreign investor is acquiring control. For additional information, contact the Investment Review Division of Investment Canada.⁶

⁶ Investment Review Division, in Ottawa, at 343 291-1887. Complete information can be found on the website concerning the *Investment Canada Act* at ised-isde.canada.ca.



A corporation that carries on business in Québec is subject to a combined general tax rate of 26.5%: 11.5% provincial and 15% federal. However, many corporations are entitled to various tax incentives, such as tax credits and deductions, which are described in Section 3.

TAXABLE INCOME

The starting point for determining a corporation's taxable income is the net income reported in its financial statements. Certain items then have to be added or deducted in order to comply with the tax laws. There are two types of differences between accounting income and taxable income. The first type includes certain accounting income or loss items not recognized for tax purposes in Canada, e.g. the non-taxable portion of capital gains. The second one includes timing differences with respect to the recognition of revenues and expenses for accounting and tax purposes, e.g. depreciation.

Capital Gains

In Canada, only 50% of the profit (capital gain) realized on the disposition of a property is included in a corporation's taxable income. Similarly, only 50% of capital losses are deductible. Furthermore, capital losses can only be deducted against capital gains. Capital losses that have not been deducted can be carried forward indefinitely to subsequent years or carried back to the three preceding years and applied against capital gains of those years.

Depreciation

The tax deduction for depreciation is optional and is usually more generous than what is allowed by accounting principles. In most cases, depreciation rates are the same for federal and provincial purposes. Both governments have agreed to regularly review depreciation rates on the basis that improving the depreciation rate structure will increase business productivity.

In Canada, depreciable property is grouped into classes for which there are specific depreciation rates. Depreciation is calculated on the residual balance for the class, which means the amount that can be claimed is higher in the initial years.

The following table shows the most frequently used depreciation rates for federal and Québec purposes for 2025.⁷

Type of Property	Federal and Québec ¹ (% of Residual Balance)
Buildings used for manufacturing and processing	10 ²
Other non-residential buildings	6 ²
Automobiles, pick-up trucks, trucks, tractors, trailers ³	30
Certain trucks used to carry merchandise ³	40 ⁴
Computers and related equipment ⁵	55
Infrastructure equipment for data systems ⁶	30
Software	100
Manufacturing machinery and equipment	75 ⁷
Furniture and fixtures	20
Patent (limited or unlimited life)	25 ⁸
Licence or permit (limited life)	Straight-line ^{8, 9}
Licence or permit (unlimited life)	5 ⁸

¹ Assets are generally grouped by class and depreciation is calculated on the balance for the class. An asset cannot be depreciated for tax purposes before the earlier of the date it is used or 24 months after it has been acquired. Moreover, acquisitions during the year are generally only eligible for one-half of the available deduction; however, this measure is suspended for assets acquired and available for use before 2028.

² 4% for assets that do not qualify for the enhanced rate.

³ Zero-emission vehicles are 75% deductible in the first year if they are available for use before 2026 (rate reduced to 55% in 2026 and 2027).

⁴ In Québec, 60% for new vehicles.

⁵ Related equipment includes system software, i.e. the general systems that make it possible to run applications and manage and coordinate the various computer operations, in particular the inputting and extraction exercises between the keyboard, screen, printer, disk drives and peripheral equipment.

⁶ Data system infrastructure supports advanced telecommunications applications, such as email, Web research and hosting, instant message handling and audio and video functions based on the Internet protocol.

⁷ For assets available for use before 2026 (rate reduced to 55% for assets available for use in 2026 and 2027).

⁸ In Québec, 50% for “qualified intellectual property” available for use before 2026.

⁹ Depreciable over the useful life of the licence or permit.

⁷ Temporary measures allowing for accelerated capital cost allowance (CCA) may apply to certain property.

TAX RATES

Tax Rates in Canada

A corporation that carries on business in Canada is subject to federal and provincial corporate income tax. Consequently, the corporation has to allocate its income among the provinces where it has an establishment. For federal and Québec purposes, the tax rate on a corporation's business income varies depending on whether the corporation is eligible for the small business deduction (SBD). The basic tax rate is 15% for federal purposes. The rate is 9% on the first \$500,000 of active business income eligible for the SBD.⁸ In Québec, the basic rate is 11.5%, and 3.2% on the first \$500,000 eligible for the SBD.

To qualify for the SBD, a corporation has to, among other things, be a Canadian-controlled private corporation, i.e. a private corporation that is resident in Canada and of which at least 50% of the voting shares are owned by Canadian residents. It must also have a taxable capital and an adjusted investment income (including the taxable capital and adjusted investment income of its associated corporations) of less than \$50 million and \$150,000, respectively. The combined tax rate for a corporation that carries on business in Québec is therefore 26.5%. The rate is 12.2% on its active business income eligible for the SBD.

In certain provinces, businesses that carry on manufacturing and processing activities, including manufacturing businesses, are subject to a lower tax rate on their manufacturing and processing profits (MPP).

The following table compares the basic tax rates on corporate business income for companies in Québec with certain Canadian provinces.

Basic Tax Rate on Business Income (2025 Basic Tax Rate)		
	%	Combined %
Federal	15.0	
Provincial		
• Alberta	8.0	23.0
• British Columbia	12.0	27.0
• Manitoba	12.0	27.0
• New Brunswick	14.0	29.0
• Nova Scotia	14.0	29.0
• Ontario	11.5 ¹	26.5
• Québec	11.5	26.5

¹ The rate for manufacturing businesses is 10%.

Tax Rates in the United States

In the United States, the federal government, most of the states and even certain cities levy corporate income tax. The federal income tax rate is 21%. The following table shows the effective rates in a few U.S. states and cities, in effect in 2025.

⁸ A 50% rate reduction could apply to income from the manufacturing of zero-emission technologies (see the "Manufacturing Sector" section in this document).

Effective U.S. Corporate Tax Rates¹ (2025)

	Federal ² (%)	State (%)	Selected Cities (Certain States) (%)	Total (%)	Outside Reference City (%)
Alabama	19.64	6.50	–	26.14	–
California	19.14	8.84	– ³	27.98	–
North Carolina	20.53	2.25 ⁴	–	22.78	–
South Carolina	19.95	5.00	–	24.95	–
Delaware	19.17	8.70	–	27.87	–
Florida	19.84	5.50 ⁵	–	25.34	–
Georgia	19.91	5.19 ⁶	–	25.10	–
Illinois	19.01	9.50 ⁷	–	28.51	–
Massachusetts	19.32	8.00 ⁸	–	27.32	–
Michigan	19.53	6.00	1.00 ⁹	26.53	25.74
New Jersey	19.11	9.00 ¹⁰	–	28.11	–
New York	17.38	6.50 ¹¹	10.80 ¹²	34.68	26.14
Ohio	20.48	– ¹³	2.50 ¹⁴	22.98	21.00
Pennsylvania	18.00	7.99 ¹⁵	6.30 ¹⁶	32.29	27.31
Tennessee	19.64	6.50	–	26.14	–
Texas	20.84	0.75 ¹⁷	–	21.59	–
Virginia	19.74	6.00	–	25.74	–
Washington	21.00	– ¹⁸	–	21.00	–

¹ Based on the basic corporate federal tax rate of 21%. This rate applies to all types of businesses (small, large, manufacturing and non-manufacturing). A notional deduction for exports by U.S. corporations may reduce the U.S. federal tax rate to 13.175%. The rates shown do not include business or other capital taxes. In addition, a minimum BEAT – Base Erosion and Anti-Abuse Tax, with a rate of 10% for taxation years starting before 2026 and 12.5% for taxation years starting after 2025, applies to corporations with average annual incomes from U.S. sources in excess of \$500 million and with a certain ratio of their expenses incurred in respect of foreign related parties. Moreover, some states apply a minimum tax. A new bill that is currently subject to review and approval by the U.S. Senate (“One Big Beautiful Bill”) aims to increase certain other rates such as the BEAT, without changing the 21% basic rate.

² State and city taxes are generally deductible from U.S. federal income tax.

³ Several cities in California, including Los Angeles and San Francisco, do not have corporate income tax but do levy a tax on gross income. The tax rates for the cities in question range from 0.01% to 1.08%.

⁴ The rate will be decreased to 2% as of January 1, 2026, 1% as of January 1, 2028, and 0% as of January 1, 2030.

⁵ The tax rate is 3.3% for taxpayers that determine their federal taxable income under the alternative minimum tax provisions.

⁶ Conditional reduction of 0.10% per year since January 1, 2025, until the rate reaches 4.99%.

⁷ The corporate income tax rate is 7%. In addition, a tax on corporate capital of 2.5% applies to corporations other than “S corporations” (S Corps). For S corporations, partnerships and trusts, the rate is 1.5%.

⁸ A tax on corporate capital calculated at the rate of 0.26% must be added to the 8.00% tax.

⁹ Several cities in the state of Michigan levy an income tax, which is generally 1%. However, the cities of Saginaw and Grand Rapids levy taxes of 1.5%, whereas the cities of Detroit and Highland Park levy taxes of 2%.

¹⁰ This rate applies to the taxable income exceeding \$100,000. Corporations whose taxable income is between \$50,000 and \$100,000 are taxed at a rate of 7.5%, while those with taxable income under \$50,000 are taxed at 6.5%. A 2.5% surtax is added to the 9% tax rate if the taxable income is greater than \$10 million.

¹¹ Taxpayers with taxable income greater than \$5 million are taxed at a rate of 7.25% until December 31, 2026.

¹² A 30% surtax is applied to the state tax (6.5% or 7.25%) for the metropolitan New York area in addition to the 8.85% city rate. The three rates may not apply to all corporations.

¹³ Ohio does not apply a corporate income tax, but it does levy a tax on gross income called the Commercial Activity Tax. The applicable rate is 0.26% for gross income in excess of \$6 million.

¹⁴ Numerous cities in Ohio have a corporate income tax. The city rates vary between 0.5% and 2.53%. The rate shown above is for Cleveland. The tax rate for Dayton is 2.5%.

¹⁵ As of January 1, 2026, the net corporation taxation rate will decrease from 7.99% to 7.49%. The rate will be decreased by 0.5% annually until January 1, 2031, when it will be 4.99%.

¹⁶ Philadelphia imposes a 0.1415% tax on gross revenue (BIRT) in addition to income tax.

¹⁷ Texas imposes a Franchise Margin Tax at a rate of 0.75% (0.375% for retail and wholesale trade). The “Margin” equals the lesser of the following four margins: 1) total revenues minus cost of goods sold; 2) total revenues less remuneration; 3) 70% of total revenues; and 4) total revenues less \$1 million.

¹⁸ Washington has no income tax. The state levies a tax on gross income called the B&O – Business and Occupation Tax. The rate ranges from 0.138% to 1.5%, depending on the kind of business.

OPERATING LOSSES

In computing its income for a year, a corporation can deduct operating losses incurred in the year up to the amount of its taxable income. Any unused loss can be carried back three years or forward 20 years.

Unlike other systems, including that of the U.S., Canada's tax system does not allow corporate groups to file consolidated tax returns. However, with proper planning, it may be possible to use operating losses within a corporate group.

PAYROLL TAXES AND EMPLOYER OBLIGATIONS

As an employer, a corporation carrying on business in Québec must remit payroll taxes and assume certain other obligations in respect of its employees pursuant to the *Act respecting labour standards*.

Québec employers are subject to the following payroll taxes and obligations in 2025:

Payroll Taxes	
Québec Pension Plan	<ul style="list-style-type: none"> • Base plan: 6.40% of earnings subject to contribution less a \$3,500 basic exemption (maximum base compensation is \$71,300 per employee) • Additional plan: 4% of eligible additional compensation, over the base ceiling, up to a maximum additional compensation of \$81,200 per employee)
Health Services Fund (HSF)	<ul style="list-style-type: none"> • 4.26% of total payroll¹
Occupational Health and Safety	<ul style="list-style-type: none"> • The average contribution rate varies according to the type of business (maximum insurable is \$98,000 per employee)
Labour Standards Commission	<ul style="list-style-type: none"> • 0.06% of payroll (maximum insurable is \$98,000 per employee)
Employment Insurance	<ul style="list-style-type: none"> • 1.83% of insurable salary (maximum insurable is \$65,700 per employee)
Québec Parental Insurance Plan	<ul style="list-style-type: none"> • 0.692% of insurable salary (maximum insurable is \$98,000 per employee)
Training	<ul style="list-style-type: none"> • Employers whose payroll in Québec exceeds \$2 million are required to spend 1% of their Québec payroll on employee training²
Obligations Under the <i>Act respecting labour standards</i>	
Statutory holidays	<ul style="list-style-type: none"> • 8 days
Days for family obligations or health reasons	<ul style="list-style-type: none"> • 2 days³
Annual vacation	<ul style="list-style-type: none"> • 2 weeks after 1 year, 3 weeks after 3 years (i.e. 4% of annual income after 1 year and 6% of annual income after 3 years)
Minimum wage	<ul style="list-style-type: none"> • \$16.10/hour (tip workers: \$12.90/hour)⁴
Overtime	<ul style="list-style-type: none"> • 1.5 times the hourly rate after 40 hours/week

¹ Contribution rate for an employer whose total payroll is greater than \$7.8 million is 4.26%. The total payroll used to determine an employer's contribution to the HSF takes into account the total wages paid by the employer and any associated employer worldwide. For corporations in the primary and manufacturing and processing sectors whose total payroll is equal to or less than \$1 million, the contribution rate is 1.25%, and when total payroll is between \$1 million and \$7.8 million, the rate varies between 1.25% and 4.26%. The contribution rate for employers in sectors other than the primary and manufacturing and processing sectors whose total payroll is equal to or less than \$1 million is 1.65%, and when total payroll is between \$1 million and \$7.8 million, the rate varies between 1.65% and 4.26%.

² In Québec, if an employer fails to spend 1% of its total payroll on training, it has to pay a contribution equal to the difference between 1% of its total payroll and the amount spent on training to the Workforce Skills Development and Recognition Fund. Employers who have a certificate attesting to the quality of their training initiatives (*certificat de qualité des initiatives de formation*) are not required to report their training initiatives annually to Revenu Québec.

³ If the employee has been working for the employer for at least 3 months.

⁴ Rates in force as of May 1, 2025.



In this era of globalization, corporations must be more creative than ever and seize every opportunity that comes their way. Management therefore has to identify not only business opportunities but also available sources of financing. The challenge is to optimize available tax measures while taking into account the corporation's tax, financial and commercial objectives.

The text below describes various corporate tax measures in two main areas: investment and job creation. They have been grouped under nine categories:

- Scientific research and experimental development;
- Manufacturing sector;
- Modernization of businesses by means of investment and innovation;
- Natural resources sector;
- Development of e-business;
- Development of e-business integrating artificial intelligence;
- Cultural industry and multimedia;
- Financial services sector; and
- Other tax measures.

Eligibility

As a general rule, corporations carrying on business in Québec or elsewhere in Canada and subsidiaries and branches of foreign corporations are eligible for the various tax measures described herein. However, certain tax measures are only available to private corporations or Canadian-controlled private corporations. A private corporation is a corporation that is resident in Canada and that is not a public corporation or a corporation controlled by one or more public corporations. A corporation is Canadian-controlled if Canadian residents own at least 50% of its voting shares. Thus, a non-resident corporation could incorporate a new corporation in collaboration with a Canadian corporation and obtain the tax benefits available to Canadian-controlled corporations.⁹

⁹ The tax legislation provides for certain anti-avoidance rules intended, in particular, to limit the possibility of manipulating a corporation's status for the purpose of reducing income taxes payable in Canada or in a province.

Québec tax credits cannot be accumulated in respect of a single activity.¹⁰ In addition, expenditures must be reduced by any government or non-government assistance received. The assistance given to an enterprise often depends on its size, taking into account all of the corporations in the same group.

To benefit from the different tax measures, a corporation generally has to file a form with its income tax return. Furthermore, any claim, whether in the form of a tax credit or a tax holiday, has to be certified by the tax authorities. In certain cases, corporations have to request visas, certificates or attestations of eligibility from the following government organizations or departments:

Organizations and Departments	Tax Measures	For Additional Information
Investissement Québec	<ul style="list-style-type: none"> • Development of e-business • Development of e-business integrating artificial intelligence • Gaspésie and certain maritime regions of Québec • Multimedia titles • Support for print media corporations • Digital transformation of print media corporations 	1 844 474-6367 investquebec.com
Ministère de l'Économie et de l'Innovation	<ul style="list-style-type: none"> • Design (design component) • Maritime industry 	1 866 463-6642 economie.gouv.qc.ca
Ministère de l'Énergie et des Ressources naturelles	<ul style="list-style-type: none"> • Biofuels • Pyrolysis oil 	1 866 248-6936 mern.gouv.qc.ca
Ministère des Finances	<ul style="list-style-type: none"> • Financial services sector • Large investment projects 	418 528-9323 finances.gouv.qc.ca
Société de développement des entreprises culturelles	<ul style="list-style-type: none"> • Cultural industry 	514 841-2200 sodec.gouv.qc.ca

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT

In an economy based on know-how and competitiveness, investment in scientific research and experimental development (R&D) is essential. There are considerable benefits to performing R&D in Québec because of the tax measures offered by the governments of Québec and Canada. The combined measures allow businesses to reduce their R&D costs significantly.

It is therefore not surprising that Canada, and in particular Québec, is recognized internationally as being one of the best locations for doing R&D.

What Is R&D?

A corporation is doing R&D when it does pure or applied research or experimental development and support work that satisfies the following three criteria:

Scientific or technological advancement

- The R&D must provide information that advances the understanding of scientific or technological relationships.

Scientific or technological uncertainty

- There must be uncertainty as to the methodology employed to resolve a problem or achieve objectives or results. Technological uncertainty therefore imposes a need for experimentation or analysis.

¹⁰ In general, expenditures and activities that are eligible for Québec tax measures do not include those that encourage violence, sexism or discrimination, that support an illegal activity, that are intended for an adult audience or that include explicit sex scenes.

Scientific and technical content

- The objectives of an R&D project must be formulated during the initial stages of the project. Moreover, the method of experimentation or analysis to be followed to dissipate the scientific or technological uncertainties must be clearly stated. The results of the R&D must be well documented.

R&D Activities

Here are some examples of projects that may include eligible R&D activities if the scientific or technological limits of current practice are pushed back:

- Developing a prototype or modifying production equipment to improve its capacities;
- Developing or improving software technology;
- Making modifications to a manufacturing process;
- Adapting a technology used in another field or designing one for a different application.

Non-R&D Activities

The R&D tax measures are not available to finance the following activities:

- Market research or sales promotion;
- Quality control or routine testing of materials, devices, products or processes;
- Research in social or human sciences;
- Prospecting, exploring or drilling for minerals, oil or natural gas and the production thereof;
- Commercial production of a material, device or new or improved product and the commercial use of a new or improved procedure;
- Style changes;
- Routine data collection.

Tax Measures

For tax purposes, a corporation that does R&D can deduct all of its current expenditures that it incurred as well as amounts paid to subcontractors relating to R&D activities performed on its behalf. It can also elect to defer the deduction for these expenditures indefinitely.

There are also generous tax credits that vary according to the corporation's status and size and the amount of R&D and pre-commercialization expenditures it incurs, among other things.

Québec Tax Credit for R&D, Innovation and Pre-Commercialization (CRIC)

A corporation that operates a business in Québec where it performs eligible R&D or pre-commercialization activities, or has them performed on its behalf, may be entitled to the tax credit for R&D, innovation and pre-commercialization (CRIC) in respect of the following eligible expenditures:¹¹

- Salaries of employees who worked directly on the project;
- One-half of the fees paid to a subcontractor at arm's length who performed work on behalf of the corporation in Québec;¹²
- One-half of the payment made to an eligible public research centre, research consortium or university entity,¹³ related to a business of the corporation and for which it is entitled to use the results;
- A capital expenditure related to the acquisition of property used entirely or almost entirely in Québec (approximately 90% and over) for eligible activities.¹⁴

¹¹ The CRIC applies to taxation years starting after March 25, 2025. It replaces the four refundable tax credits that were formerly offered in Québec to stimulate R&D, the tax credit for technological adaptation services and the tax credit for design (industrial component), subject to the necessary adaptations and transitional rules.

¹² For subcontractors who are not at arm's length, the expenditure amount eligible for the credit is limited to the R&D salaries paid by the subcontractor.

¹³ See the list in Appendix 5.

¹⁴ This expenditure must concern new property, available for use and held for a minimum of 730 consecutive days following the start of use. Expenditures related to the acquisition of land or a building, or a related leasehold interest, or right of use of a building are not eligible. Moreover, a corporation cannot receive the CRIC in respect of property used, or acquired to be used, in a large investment project.

In general, pre-commercialization activities include the following kinds of work, insofar as they represent a continuation of R&D activities undertaken in Québec:

- Tests, technological validations and studies carried out to meet regulatory requirements and aimed at obtaining a registration or certification for the purpose of commercializing a product or process;
- Product design.

Basic Rate for the Québec Tax Credit and Exclusion Threshold

The basic rate for this tax credit is 20% of eligible expenditures. This rate may be increased to 30% in respect of a maximum of \$1 million of eligible expenditures, regardless of the corporation's assets.¹⁵ However, the first dollars that a corporation spends below a maximum annual exclusion threshold of \$50,000 are not eligible for the tax credit.¹⁶

Federal Tax Credits

The following current expenditures are eligible for the federal R&D tax credits provided the activities are carried on in Canada:¹⁷

- Salaries of employees who worked directly on the project;
- 80% of fees paid to a subcontractor at arm's length who performed R&D for the corporation;¹⁸
- 80% of payments to a certified association, university, college, research institute or other certified body;
- Cost of materials used in connection with the project;
- Overhead expenses directly related to the research.¹⁹

The basic tax credit is 15% of the R&D expenditures and is not refundable. The unused balance can be carried back three years and forward 20 years.

Enhanced Federal Tax Credit for SMBs

An SMB is entitled to a refundable tax credit of 35% on the first \$3 million of eligible expenditures per year. For this purpose, an SMB is a Canadian-controlled private corporation whose taxable capital as well as the taxable capital of all the corporations in the group for the previous taxation year does not exceed \$10 million. If taxable capital used in Canada is greater than \$10 million, but not more than \$50 million, the \$3-million limit of expenditures eligible for the 35% credit is gradually reduced; expenditures beyond this reduced limit are eligible for a tax credit at a rate of 15%, which may be partially refundable, depending on the corporation's income, as summarized in the following table. Examples are shown in Appendices 1 to 3.

Rates Applicable to Current R&D Expenditures for an SMB – Federal		
	Rate of Credit (in %)	Refundable Portion of Credit (in %)
Expenditures up to limit	35	100
Expenditures in excess of limit	15	40 ¹

¹ If the taxable income of a corporate group for the preceding year is more than the limit for eligible expenditures (\$500,000 when the taxable capital is equal to or less than \$10 million and gradually reduced to nil when the taxable capital reaches \$50 million), the credit refund is nil.

¹⁵ The basic rate of the former refundable tax credits available in Québec for a taxation year starting before March 26, 2025, was 14%. An enhanced rate of 30% was offered on the first \$3 million of eligible expenditures incurred by a Canadian-controlled corporation for which the assets on the financial statements for all the corporations in the group were lower than \$50 million (the rate was decreased gradually from 30% to 14% for assets between \$50 million and \$75 million). Moreover, the threshold for excluded expenditures ranged from \$50,000 to \$225,000 annually, based on the value of the applicant corporation's total assets for the previous taxation year.

¹⁶ The annual exclusion threshold is calculated based on a maximum amount per employee who carries out R&D tasks, up to a maximum threshold of \$50,000 per year.

¹⁷ Capital expenditures are not eligible for the federal R&D tax credit. As a general rule, R&D expenditures must be incurred in Canada in order to be eligible for this tax credit. However, certain salaries paid to Canadian employees carrying out R&D abroad are eligible for the R&D credit. Eligible salaries are limited to 10% of labour expenditures incurred in Canada for R&D work.

¹⁸ Subcontractors who are not at arm's length must file the claim. However, expenditures can be transferred.

¹⁹ To compute overhead, the corporation may use expenditures actually incurred, or the proxy method pursuant to which 55% of the adjusted salaries of employees who worked directly on the project is used.

MANUFACTURING SECTOR

There are three important tax aspects to the Québec government's strategy to strengthen the manufacturing sector in Québec:

- A tax credit that applies to the acquisition of manufacturing and processing equipment, among other things;²⁰
- The tax credit for job creation;
- The additional deduction for transportation costs of manufacturing SMBs.

In addition to these measures, which are exclusive to Québec, there is the accelerated CCA for manufacturing and processing equipment or regarding buildings used for manufacturing or processing for both federal and Québec purposes.²¹

Federally, the investment tax credit provides tax relief for the acquisition of buildings and manufacturing and processing equipment by businesses carried on in the Gaspé peninsula, among other regions. Finally, the federal government also provides a reduced taxation rate for the manufacturers of zero-emission technologies.

Tax Credit for Job Creation

A refundable tax credit encouraging job creation in Gaspésie and certain maritime regions of Québec is available to corporations that are able to show that at least three full-time jobs will be created within a reasonable time on the territory of one or more eligible regions.²²

The rate of the tax credit for job creation is equal to 15% (30% for marine biotechnology, mariculture, and recreational and tourism activities) of the payroll²³ attributable to eligible employees of an eligible corporation operating in a targeted region that carries on a recognized business. However, this credit only applies to annual salaries up to \$83,333. Eligible corporations are entitled to this credit up to December 31, 2025. However, a corporation eligible for a tax holiday for large investment projects does not qualify for the tax credit for job creation.

The following table shows eligible activities for the tax credit and tax credit rates based on the region where the corporation carries on business.

²⁰ The tax credit relating to investment and innovation (C3i) is described in the "Modernization of Businesses by Means of Investment and Innovation" section in this document.

²¹ Manufacturing companies may also be eligible for the measures described in the "Modernization of Businesses by Means of Investment and Innovation" section in this document.

²² To qualify for this tax credit, the corporation must obtain an initial qualification certificate from Investissement Québec. Then, each year, it must obtain a business qualification certificate and an employee certificate in respect of every employee for whom it is requesting the tax credit.

²³ Only employees who spend at least 75% of their time on eligible activities are considered in the payroll calculation.

Tax Credit for Gaspésie and Certain Maritime Regions of Québec

Eligible Activities	Tax Credit	Eligible Regions
Manufacturing activities ¹	15%	Gaspésie Îles-de-la-Madeleine
Manufacturing or processing of finished or semi-finished products from slate or peat	15%	Gaspésie Îles-de-la-Madeleine Côte-Nord Bas-Saint-Laurent
Production of wind power and manufacturing of wind turbines	15%	Gaspésie Îles-de-la-Madeleine La Matanie RCM
Processing of sea products	15%	Gaspésie Îles-de-la-Madeleine Côte-Nord La Matanie RCM
Marine biotechnology and mariculture	30%	Gaspésie Îles-de-la-Madeleine Côte-Nord Bas-Saint-Laurent
Recreational and tourism activities	30%	Îles-de-la-Madeleine

¹ For reference purposes, the activities listed under codes 31, 32 and 33 of the North American Industry Classification System (NAICS) are generally manufacturing activities covered by this tax credit.

Additional Deduction for Transportation Costs of Manufacturing SMBs

To provide additional assistance to all Québec SMBs and take account of the higher transportation costs due to the remote location of certain regions compared with the major urban centres, an additional deduction for transportation costs in the calculation of net income is granted to Canadian-controlled private corporations whose paid-up capital is less than \$50 million.

The amount of the additional deduction that manufacturing SMBs may benefit from varies according to several criteria, such as the region where the corporation performs its manufacturing activities, the level of its manufacturing activities, the corporation's size, its gross income for the taxation year and a regional cap.²⁴ This additional deduction can reach 10% of a corporation's gross income for a taxation year for the most remote regions.²⁵

In addition, all SMBs in the most remote regions of Québec may receive an additional deduction for transportation costs. This additional deduction, which can reach 10% of a corporation's gross income, is granted based on the scope of the corporation's activities in the remote region and on its size. No ceiling applies to this additional deduction and it cannot be added to the additional deduction for transportation costs of manufacturing SMBs.

²⁴ The regional cap is \$50,000, \$150,000, \$350,000 or nil, depending on the region where the corporation carries out its activities. The regional cap must be shared between associated corporations.

²⁵ The additional deduction rate varies between 1% and 10%, depending on the region where the corporation carries out its activities. There are rules concerning situations in which a corporation carries out activities in more than one region.

Federal Investment Tax Credit

Federally, corporations doing business in the Atlantic Provinces, the Gaspé peninsula or a prescribed offshore region are eligible for a 10% investment tax credit on the cost of new prescribed buildings²⁶ or new prescribed machinery and equipment²⁷ acquired primarily to be used in certain activities, including:

- Manufacturing or processing goods for sale or lease;
- Logging, farming or fishing; and
- Exploring for or developing certain natural resources.

Manufacturers of Zero-Emission Technologies

The federal government has temporarily reduced the taxation rates on eligible income of corporations at least 10% of whose gross revenue (from active businesses operated in Canada) comes from eligible zero-emission technology manufacturing or processing.²⁸ This measure will be gradually phased out as of 2032. Eligible income is thus subject to the following taxation rates, based on whether or not it is eligible for the SBD:

Start of Taxation Year	Taxation Rate for Eligible M&P Income for Zero-Emission Technologies	
	With SBD (in %)	Without SBD (in %)
2022 to 2031	4.500	7.500
2032	5.625	9.375
2033	6.750	11.250
2034	7.875	13.125
2035	9.000	15.000

The rate reduction applies in respect of income from the following activities:

- Manufacturing of the following goods:
 - Solar energy conversion equipment;
 - Wind energy and water energy conversion equipment;
 - Geothermal energy equipment;
 - Equipment for a ground source heat pump system;
 - Energy storage equipment used for storage of renewable energy or for providing grid-scale storage or other ancillary services;
 - Zero-emission vehicles, conversion of vehicles into zero-emission vehicles and batteries and fuel cells for such vehicles;
 - Electric vehicle charging systems and hydrogen refuelling stations for vehicles;
 - Equipment used for the production of hydrogen by electrolysis of water;
 - Air source heat pumps used to heat premises or water;
- Production of hydrogen by electrolysis of water;
- Production of solid, liquid or gaseous fuel;
- Manufacturing of nuclear energy equipment;
- Processing and recycling of nuclear fuels and heavy water;
- Manufacturing of nuclear fuel rods.

²⁶ A prescribed building includes a building or a grain elevator included in Class 1, 3, 6, 8 or 20 and erected on land owned or leased by the taxpayer.

²⁷ The definition of "prescribed machinery and equipment" is very broad and includes the majority of capital expenditures included in Classes 8, 9, 10, 15, 21, 22, 24, 27, 28, 29, 34, 38, 39, 40, 43, 45, 50, 52 and 53, electrical generating equipment included in Classes 1 and 2 and vessels included in Class 7. The electricity generation equipment described in Classes 17 and 48 and the clean energy generation and energy conservation equipment described in Class 43.1 are also eligible for the credit.

²⁸ Québec has confirmed that it will not harmonize with this measure.

MODERNIZATION OF BUSINESSES BY MEANS OF INVESTMENT AND INNOVATION

The Québec government has implemented the following measures intended to encourage businesses to invest in their equipment, the integration of new technologies and innovation:

- Tax credit relating to investment and innovation (C3i);
- Incentive deduction for the commercialization of innovations;
- Tax holiday for large investment projects.

Tax Credit Relating to Investment and Innovation (C3i)

The tax credit relating to investment and innovation is available to a corporation that acquires manufacturing and processing equipment, computer equipment²⁹ or a qualified management software package.³⁰ It is provided in respect of expenses incurred to acquire such property,³¹ below the exclusion threshold for expenses not eligible for the credit. The exclusion threshold applies to each individual item and amounts to \$5,000 for computer equipment and management software and \$12,500 for other property.

The rate of the tax credit is determined based on the region where the property is acquired to be used mainly and the time when the investment is made, as shown in the following table.

Region Where the Property Is Acquired to Be Used ¹	Rate Based on When the Investment Is Made ²
Territory with low economic vitality	25%
Territory with intermediate economic vitality	20%
Territory with high economic vitality	15%

¹ The territories are listed in Appendix 6.

² Rate in force for property acquired between January 1, 2024, and December 31, 2029. Property that was legally acquired after December 31, 2023, and before April 1, 2024, is excluded if it was acquired in accordance with a written obligation entered into before January 1, 2024, or its construction began before that date.

\$100-Million Cumulative Limit

A corporation may be entitled to credits for a maximum of \$100 million of investments made over a four-year period under the tax credit relating to investment and innovation.

Incentive Deduction for the Commercialization of Innovations

A corporation that commercializes a qualified intellectual property asset resulting from R&D activities carried out in whole or in part in Québec may benefit from an effective provincial tax rate of 2% on the qualified portion of its taxable income attributable to that asset.³² For this purpose, a qualified intellectual property asset designates one of the following kinds of property:

- An invention protected by a patent or a certificate of supplementary protection;
- A creation, discovery or development of a new plant variety protected by valid plant breeder's rights;
- Software protected by copyright.

²⁹ Electronic data processing equipment and the systems software for that equipment.

³⁰ Property used mainly in activities involving the smelting, refining or hydrometallurgy of foreign ore or ore extracted from a mineral resource located in Canada, other than ore from a gold or silver mine, is also eligible for the credit.

³¹ The property must be new and used only (mainly, in the case of a qualified management software package) in Québec and mainly in the course of carrying on a business for a period of at least 730 consecutive days, except in the course of a recognized business relating to a large investment project or in the course of operating an ethanol, biodiesel or pyrolysis oil production plant.

³² This amount is based on the gross income from the asset. Royalties, payments for use or the concession of use, income from the sale or lease of a property incorporating the asset or from the supplying of a service intrinsically related to the asset, and amounts obtained as damages from judicial remedies relating to the asset qualify under this criterion.

Tax Holiday for Large Investment Projects

A corporation that undertakes a large investment project in a sector of activity other than an excluded sector may be entitled to a tax holiday. In addition, at least 75% of its gross income must come from activities that are not carried on in an excluded sector. The following sectors are deemed to be excluded activity sectors:

- Mining, quarrying, and oil and gas extraction, except for critical and strategic minerals (NAICS code 21);
- Utilities (NAICS code 22);
- Construction (NAICS code 23);
- Tobacco manufacturing (NAICS code 3122);
- Petroleum and coal product manufacturing (NAICS code 3241);
- Alumina and aluminum production and processing (NAICS code 3313);
- Cigarette and tobacco product merchant wholesalers (NAICS code 4133);
- Gasoline stations and fuel vendors (NAICS code 457);
- Pipeline transportation (NAICS code 486);
- Motion picture and video industries (NAICS code 5121);
- Broadcasting and content providers (NAICS code 516);
- Computing infrastructure providers, data processing, web hosting, and related services (NAICS code 518);
- Finance and insurance (NAICS code 52);
- Real estate and rental and leasing (NAICS code 53);
- Advertising, public relations, and related services (NAICS code 5418);
- Holding companies (NAICS code 551113);
- Educational services (NAICS code 61);
- Health care and social assistance (NAICS code 62);
- Spectator sports (NAICS code 71121);
- Gambling industries (NAICS code 7132);
- Accommodation and food services (NAICS code 72);
- Religious, grant-making, civic, and professional and similar organizations (NAICS code 813);
- Public administration (NAICS code 91).

To benefit from this tax holiday, the corporation must obtain an initial qualification certificate and annual certificates issued by the Ministère des Finances. An application for an initial qualification certificate must be made before the capital expenditures incurred in respect of the project exceed \$1 million and no later than December 31, 2029.

Investment Threshold

The project must involve a minimum investment of \$100 million. This threshold must be reached by the end of the investment period, at the latest. The investment period, which lasts 48 months, starts on the date chosen by the corporation. This date must be specified on the application for an initial qualification certificate and may not be later than the 12-month period following the application for the initial qualification certificate.

Eligible investment expenditures for this tax holiday correspond to all capital investments made during the investment period to acquire new property needed to execute the project, insofar as it is included in a class of depreciable property for tax purposes.³³ This property must be used mainly in Québec and for a minimum period of 730 consecutive days.

³³ Expenses related to the following items are not eligible: purchase and use of land; acquisition of a business that was already being carried on in Québec; replacement of an asset whose acquisition cost was considered in calculating the total investment expenditures; financing costs, including borrowing costs, capitalized to the capital cost of a property; labour expenditures capitalized to the capital cost of a property, other than those related to its installation; and expenditures incurred with a person with whom the corporation does not deal at arm's length.

Duration and Limit of the Tax Assistance

The 10-year tax holiday is reflected in a holiday from income tax³⁴ and a holiday from employer contributions to the HSF regarding the wages paid to employees. The tax assistance relating to a large investment project may not exceed 15%, 20% or 25% (depending on the territory's economic vitality level) of the total qualified capital investments relating to the project, determined on the date when the tax-free period begins. The cumulative total of eligible investment expenditures is limited to \$1 billion.

Territory Where the Large Investment Project Is Executed ¹	Rate of Tax Holiday
Territory with low economic vitality	25%
Territory with intermediate economic vitality	20%
Territory with high economic vitality	15%

¹ The territories are listed in Appendix 6.

NATURAL RESOURCES SECTOR

To stimulate investments by businesses in the natural resources sector, the Québec government grants them various types of tax relief. In return, the mining tax enables the government to obtain fair compensation for the use of a non-renewable resource belonging to the public domain.

Québec Mining Tax Act

A mine operator is required to pay mining duties corresponding to the greater of its minimum mining tax or its mining tax on its annual profit calculated according to progressive rates. The tax base of Québec's mining duties regime is generally based on the notion of mining profit and the "mine-by-mine" principle. Briefly, an operator's annual profit for the purposes of the mining tax represents the gross value of its annual output from a mine, less certain expenses and allowances. The tax rate used to calculate the mining tax on annual profit is determined in accordance with the operator's profit margin. The rates are the following, according to the profit margin segment:

Profit Margin Segment	Applicable Rate
0% to 35% segment	16%
35% to 50% segment	22%
50% to 100% segment	28%

The minimum mining tax is an *ad valorem* royalty calculated on the total output value at the mine shaft head for each mine operated. For a particular fiscal year, the operator's minimum tax is:

- 1% of the first \$80 million of the value of the production at the mine shaft head for all mines operated;
- 4% of the value at the mine shaft head in excess of \$80 million for all mines operated.

An operator's output value at the mine shaft head in respect of a mine it operates is calculated on the basis of the operator's gross value of annual output from the mine. The aim of this calculation, by means of inclusions and deductions, will be to determine the value of the mineral substance from the mine once extracted from Québec soil but before it is processed by the operator. The output value at the mine shaft head may not be less than 10% of the operator's gross value of annual output from that mine.

The minimum mining tax paid for a fiscal year may be carried forward to be applied against the mining tax on future profit as a non-refundable minimum mining tax credit. Lastly, when an operator sustains a loss, it may obtain a credit on duties refundable for losses in respect of exploration³⁵ and pre-production development expenses. This tax credit is also deductible from the operator's minimum mining tax payable.

³⁴ The income tax holiday takes the form of a deduction in calculating the corporation's taxable income.

³⁵ 50% of the operator's incurred exploration expenses are eligible for this credit.

Resource Tax Credit

A corporation that carries on a business in Québec and incurs eligible expenses may benefit from a refundable tax credit relating to resources. The tax credit rate varies between 12% and 38.75% according to the type of resource, where the expenses are incurred and the type of corporation. Expenses that are eligible for the credit are subject to a cumulative \$100-million limit for each five-year period, to be shared among associated corporations.³⁶

Eligible expenses³⁷ include:

- Exploration expenses related to mineral resources incurred in Québec;
- Expenses relating to natural resources (cut stones: granite, sandstone, limestone, marble and slate) where the resources are used for the production of dimension stones, cemetery monuments, building stones, paving stones, curbing and roof tiles;
- Canadian renewable energy and energy savings expenses incurred in Québec; and
- Development expenses.

Refundable Resource Tax Credit Rates		
Tax Credit for Eligible Expenses	Corporations Not Operating Any Mineral Resource or Oil and Gas Well ¹	Other Corporations
Expenses relating to mining resources. ³⁸		
• Expenses mainly attributable to critical and strategic minerals ³⁹	45.00%	20.00%
• Expenses related to other mining resources	22.50%	10.00%
Expenses relating to renewable energy and energy savings	28.00%	24.00%
Expenses relating to other natural resources (cut stones)	12.00%	12.00%

¹ These corporations must not be related to a corporation exploiting a mineral resource or operating an oil or gas well.

Tax Holiday for Large Investment Projects⁴⁰

A corporation that carries out a large investment project in the area of critical and strategic mineral⁴¹ extraction may, under certain conditions, benefit from a holiday on income tax and a holiday from employer contributions to the HSF. The tax holiday applies only in respect of income tax payable under the provisions of the *Taxation Act* and does not reduce amounts payable under the provisions of the Québec *Mining Tax Act*.

³⁶ Expenses incurred before March 26, 2025, are not considered in calculating the limit.

³⁷ The expenses which a corporation has relinquished with respect to a share in Québec's flow-through share system are not eligible for this credit. In addition, expenses are not eligible if they are related to oil, gas, or coal.

³⁸ Rates applicable since March 26, 2025. Expenses incurred before that date entitle a corporation to a credit with a rate ranging from 38.75% to 12%, depending on the type of corporation and the region where the expenses were incurred.

³⁹ Enhanced tax credit applicable in respect of expenses attributable to one or more critical or strategic minerals incurred and paid before January 1, 2030.

⁴⁰ This tax holiday is described above in the "Modernization of Businesses by Means of Investment and Innovation" section in this document.

⁴¹ Critical minerals are the following: antimony, bismuth, cadmium, cesium, copper, tin, gallium, indium, tellurium and zinc. Strategic minerals are the following: cobalt, rare earth elements, platinum group elements, graphite (natural), lithium, magnesium, nickel, niobium, scandium, tantalum, titanium and vanadium.

Production of Biofuels and Biodiesel

The Québec government also grants financial assistance to corporations that produce biofuels and biodiesel, by means of the following refundable tax credits:

- Tax credit for the production of biofuels in Québec;
- Tax credit for the production of pyrolysis oil in Québec.

In general, these tax credits are calculated based on the number of litres of biofuel or biodiesel produced monthly.

These credits are reduced by any government or non-government assistance attributable to the eligible production of biofuels and pyrolysis oil.⁴²

DEVELOPMENT OF E-BUSINESS

(Fiscal years starting before January 1, 2026.)

A corporation that has an establishment in Québec where it carries on a business in the IT sector⁴³ may be entitled to a tax credit for the development of e-business (CDAE) of 30% of the wages paid to an employee who carries out eligible activities, above an exclusion threshold applicable for the year.⁴⁴ A sample calculation of these credits is presented in Appendix 4.

This credit is composed of a refundable portion and a non-refundable portion (for a total credit of 30%), allocated as follows, based on the starting date of the taxation year.

Rate of Credit	Calendar Year	
	2024	2025
Refundable credit	24%	23%
Non-refundable credit	6%	7%

⁴² The concept of government assistance includes the value of compliance credits granted under the *Clean Fuel Regulations* only as of a taxation year starting after December 31, 2027.

⁴³ The corporation must obtain a corporation and employee certificate issued by Investissement Québec stating, among other things, that:

- Activities in the information technology sector constitute at least 75% of the corporation's activities (activities under North American Industry Classification System [NAICS 2022] codes 334110, 334220, 334410, 417310, 449212, 513211, 513212, 51821, 541514, 541515, 561320 and 561330);

- At least 50% of its gross income comes from activities that are included under NAICS codes 513211, 513212, 541514, 541515, 561320 and 561330;

- The gross income from activities included under NAICS codes 561310, 561320 and 561330 is below the gross income from activities included under NAICS codes 513211, 513212, 541514 and 541515;

- At least 75% of its gross income comes from activities that are included under NAICS codes 513211, 513212, 541514, 541515, and, under certain conditions, 561320 and 561330, that are attributable to services ultimately provided to persons with whom it is at arm's length or services relating to applications developed by the corporation that are used exclusively outside Québec, or a combination of these services;

- At any time, these activities require a minimum of six eligible full-time employees, except in situations of activities transfer or business start-ups.

⁴⁴ The exclusion threshold amounts to \$18,571 in 2025 (indexed annually). This threshold applies annually to the first dollars of wages paid to each eligible employee.

Eligible Areas of Activity

Eligible activities for the qualification of an eligible employee are as follows:

- Information technologies consulting services relating to technology, systems development, or e-business processes and solutions insofar as the consulting services are related to one of the activities described below;
- Development or integration of information systems and technology infrastructures and, insofar as they are ancillary to such a development or integration activity by the corporation, activities relating to:
 - Maintenance or evolution of such systems or infrastructures;
 - Design or development of e-commerce solutions allowing for financial transactions;
- Development of security and identification services.

However, the following activities do not represent eligible activities:

- Activities not primarily related to e-business;
- Operation of an e-business solution;
- Operation of a customer contact centre or a level 1 technical support service;
- Equipment installation and training activities;
- Management or operation of information systems, applications or infrastructures stemming from e-business activities;
- Administrative duties;
- Activities related to a marketing information system;
- Activities that are reasonably considered to be related to content encouraging violence, sexism, racism or any other form of discrimination; and
- Activities whose results are incorporated into property that is intended for sale or the purpose of which concerns the operation of such property.

DEVELOPMENT OF E-BUSINESS INTEGRATING ARTIFICIAL INTELLIGENCE

(Fiscal years starting after December 31, 2025.)

On March 25, 2025, the Minister of Finance announced that the tax credit for the development of e-business (CDAE) would be replaced by the new tax credit for the development of e-business integrating artificial intelligence (CDAE^(A)). This credit is intended to modernize the activities eligible for the former tax credit (CDAE) with a new focus on e-business that incorporates artificial intelligence (AI) functionalities in a significant way.

A corporation that has an establishment in Québec where it carries on a business in the IT sector⁴⁵ may be entitled to a tax credit of 30%⁴⁶ of the wages paid to an employee who carries out eligible activities, above an exclusion threshold applicable for the year.⁴⁷

Rate of Credit	Calendar Year		
	2026	2027	2028 and Following
Refundable credit	22%	21%	20%
Non-refundable credit	8%	9%	10%

Eligible Areas of Activity

Eligible activities for the qualification of an eligible employee are as follows:

- Information technologies consulting services relating to technology, systems development, or e-business processes and solutions insofar as the consulting services are related to one of the activities described below;
- Development or integration of information systems and technology infrastructures;
- Development of security and identification services.

In addition, to be eligible, an activity must also be mainly related to e-business that incorporates significant AI functionalities. This will be the case when the tasks carried out by the employee are mainly related to e-business and concern a mandate, project or product that integrates significant AI functionalities.

However, the following activities do not represent eligible activities:

- Activities not primarily related to e-business that incorporates significant AI functionalities;
- Activities related to maintenance or evolution (including ancillary activities);
- Operation of an e-business solution;
- Operation of a customer contact centre;
- Equipment installation and training activities;
- Management or operation of information systems, applications or infrastructures stemming from e-business activities;
- Administrative duties;
- Activities related to a marketing information system;
- Activities that are reasonably considered to be related to content encouraging violence, sexism, racism or any other form of discrimination; and
- Activities whose results are incorporated into property that is intended for sale or the purpose of which concerns the operation of such property.

⁴⁵ The corporation must obtain a corporation and employee certificate issued by Investissement Québec stating, among other things, that:

- Activities in the information technology sector constitute at least 75% of the corporation's activities (activities under North American Industry Classification System [NAICS 2022] codes 334110, 334220, 334410, 417310, 449212, 513211, 513212, 51821, 541514, 541515, 561320 and 561330);
- At least 50% of its gross income comes from activities that are included under NAICS codes 513211, 513212, 51821, 541514, 541515, 561320 and 561330;
- The gross income from activities included under NAICS codes 561310, 561320 and 561330 is below the gross income from activities included under NAICS codes 513211, 513212, 51821, 541514 and 541515;
- At least 75% of its gross income comes from activities that are included under NAICS codes 513211, 513212, 51821, 541514, 541515, and, under certain conditions, 561320 and 561330, that are attributable to services ultimately provided to persons with whom it is at arm's length or services relating to applications developed by the corporation that are used exclusively outside Québec, or a combination of these services;
- At any time, these activities require a minimum of six eligible full-time employees, except in situations of activities transfer or business start-ups.

⁴⁶ For a taxation year starting after December 31, 2025, the credit rates will be halved if at least 50% of the corporation's gross revenue is ultimately attributable to services related to an application developed by the corporation for use exclusively outside Québec by an end user who is a non-arm's-length person or partnership.

⁴⁷ The exclusion threshold amounts to \$18,571 in 2025 (indexed annually). This threshold applies annually to the first dollars of wages paid to each eligible employee.

CULTURAL INDUSTRY AND MULTIMEDIA

For several years now, the Québec government has striven to promote Québec's cultural identity and the production of multimedia titles by granting several different tax credits. Moreover, Québec is recognized as one of the best locations in the world for video game and interactive content development. Due to its qualified labour, the numerous specialized companies in this field and major incentive programs, Québec is an essential hub for digital entertainment.

Cultural Industry Tax Credits⁴⁸

The government assumes a part of the cultural industry's financing through grants, loans and loan guarantees. The government of Québec also grants financial assistance to corporations in this field by means of the following tax credits:

- Tax credit for Québec film or television productions;⁴⁹
- Tax credit for film production services;⁵⁰
- Tax credit for the production of sound recordings;
- Tax credit for the production of performances;
- Tax credit for the production of multimedia events or environments staged outside Québec;
- Tax credit for film dubbing; and
- Tax credit for book publishing.

Tax Credit for Multimedia Titles

A corporation can claim a credit for each of the eligible multimedia titles it produces or for all of its activities when they essentially⁵¹ consist in producing such titles. This credit is calculated on the wages paid to an employee who carries out eligible activities, above an exclusion threshold applicable for the year.⁵²

This credit is composed of a refundable portion and a non-refundable portion (for a total credit ranging between 37.5% and 26.25%), allocated as follows, based on the starting date of the taxation year:

Rate of Credit, According to Category (%)	Calendar Year				
	2024	2025	2026	2027	2028 and Following
Multimedia titles destined for commercial markets and that are not vocational training titles, available in French					
▪ Refundable	37.50	35.00	32.50	30.00	27.50
▪ Non-refundable	0.00	2.50	5.00	7.50	10.00
Multimedia titles destined for commercial markets and that are not vocational training titles, not available in French					
▪ Refundable	30.00	27.50	25.00	22.50	20.00
▪ Non-refundable	0.00	2.50	5.00	7.50	10.00
Other multimedia titles, including vocational training titles					
▪ Refundable	26.25	23.75	21.25	18.75	16.25
▪ Non-refundable	0.00	2.50	5.00	7.50	10.00

⁴⁸ For more information on these credits, visit the website of the Société de développement des entreprises culturelles (SODEC) at sodec.gouv.qc.ca.

⁴⁹ The federal government also has a tax credit for Canadian film or video productions.

⁵⁰ The federal government also has a tax credit for film or video production services.

⁵¹ To qualify for the credit for all of its activities, the corporation must obtain a certificate from Investissement Québec certifying that 75% of its activities in Québec consist in producing eligible multimedia titles and, where applicable, in carrying out scientific research and experimental development related to such titles.

⁵² The exclusion threshold amounts to \$18,571 in 2025 (indexed annually). This threshold applies annually to the first dollars of wages paid to each eligible employee.

To be eligible, a multimedia title must be produced in an electronic medium, be run using software that supports interactivity, and present, in significant proportions, at least three of the following four types of data: text, sound, still images, moving images. In this respect, a title may be considered to be run using software that supports interactivity if the conditions respecting the user's participation in the action of the title are met for all or substantially all of the action. The related titles tied to a principal multimedia title are also entitled to the tax credit for the production of multimedia titles.

The corporation's labour expenditures⁵³ determine the credit amount it can claim. The rate varies by category of production and whether a French version is available. A corporation that wishes to benefit from this credit must obtain an eligibility certificate from Investissement Québec.

FINANCIAL SERVICES SECTOR

In this era of market globalization, corporations working in the financial services sector are faced with increasingly complex regulations. To support this industry, the Québec government has implemented tax measures to support international financial centres and encourage the creation of new financial services corporations.

International Financial Centres⁵⁴

The objective of International Financial Centres (IFCs) is to promote the implementation, development and retention in the City of Montréal of businesses specializing in Qualified International Financial Transactions (QIFT) or Qualified International Financial Operations (QIFO). Accordingly, a corporation recognized as an IFC can benefit from a tax credit of 24% of the salaries of eligible employees. Generally, this is a non-refundable credit.⁵⁵ The maximum annual credit is \$18,000 per employee for QIFT and \$14,400 per employee for QIFO.

New Financial Services Corporations

The Québec government has implemented two fiscal measures to encourage the creation of new financial services corporations:

- Refundable tax credit for new financial services corporations;
- Refundable tax credit for the hiring of employees by a new financial services corporation.

To be eligible for these measures, the corporation's activities must include one or more of the following activities:

- Analysis, research, management, advisory or securities transactions or distribution services performed by certain types of securities dealers;
- Securities advisory or securities portfolio management services provided by certain types of securities advisors.

The corporation must obtain a qualification certificate from the Ministère des Finances,⁵⁶ which will be valid for a period of five years.

⁵³ Generally, labour expenditures include:

- 100% of wages and salaries paid to eligible employees;
- 100% of the amounts paid to a subcontractor not at arm's length; and
- 50% of the amounts paid to a subcontractor at arm's length.

⁵⁴ See the website of the International Financial Centre of Montréal at <https://www.finance-montreal.com/en/ifc-incentive-program>.

⁵⁵ Only the tax credit for back office activities qualifying as international financial transactions is refundable.

⁵⁶ The corporation must submit its application for a qualification certificate before the end of its second fiscal year and by December 31, 2027, at the latest.

Tax Credit for New Financial Services Corporations

A corporation can benefit from a refundable tax credit equivalent to 32% of certain eligible expenditures during the period of validity of the qualification certificate. Eligible expenditures include, among others, fees for the constitution of the initial file for participation in a stock exchange, fees and costs as a participant in a stock exchange, subscription fees for financial analysis or research tools or services, fees related to the creation of a prospectus and fees paid to a compliance consultant. The expenditures eligible for the credit are limited to \$375,000 annually, for a maximum annual credit of \$120,000.⁵⁷

Tax Credit for the Hiring of Employees by a New Financial Services Corporation

A corporation may claim a refundable tax credit equivalent to 24% of salaries paid during the period of validity of the qualification certificate, up to an annual maximum credit of \$24,000 per employee. An employee's salary is eligible for the credit if 75% of the employee's duties are directly attributable to the transactional process specific to the carrying out of the activities stipulated in the corporation's qualification certificate.

OTHER TAX MEASURES

This section describes the main features of other tax measures offered by the government to stimulate Québec's economy.

Technological Adaptation Services

A tax credit was formerly granted to businesses for the collection and processing of strategic information as well as for collaboration efforts, research and innovation with different partners. For taxation years starting after March 25, 2025, this credit is reflected in the CRIC, with certain adjustments intended to refocus eligible activities on pre-commercialization activities related to R&D.

For taxation years starting before March 26, 2025, this refundable tax credit was equal to 40% of:⁵⁸

- 80% of the fees for liaison and transfer services provided by a liaison and transfer centre or by a college centre for the transfer of technology; and
- The cost of training and information activities related to liaison and transfer services.

A credit could be claimed for the following eligible activities:

- Locating and brokering research results;
- Assessing the needs of businesses;
- Bringing together stakeholders;
- Carrying out technical feasibility studies and studies assessing the commercial potential of innovation projects;
- Supporting businesses through the various stages of innovation project execution; and
- Conducting software certification tests.

Liaison and transfer centres are organizations that bring together numerous university, industry and government members whose mission is to enhance the value of enterprises through the transfer of expertise, knowledge, know-how and technologies. The activities of college centres for the transfer of technology focus on applied research, technical assistance, training, information monitoring and communication. Businesses that were eligible for this credit must conduct a new analysis of their activities to determine whether they are eligible for the CRIC.

Design⁵⁹

Wage expenditures a corporation incurs for the designers it employs provide for a tax credit ranging from 12% to 24%.

⁵⁷ The expenditure limit must be shared between associated corporations.

⁵⁸ Excluding all expenditures eligible for a Québec R&D tax credit.

⁵⁹ For more information on this credit, visit the website of the Ministère de l'Économie et de l'Innovation at economie.gouv.qc.ca.

Maritime Industry

As part of its maritime strategy, Québec has implemented several measures to stimulate the economic development of many of its coastal regions. The first measure is an additional capital cost allowance granted for building or renovating a vessel in a Québec shipyard.⁶⁰ The second is a refundable tax credit granted for building or renewing a vessel. Last, Québec shipowners may take advantage of a tax-free reserve to allow Québec shipyards to modernize or renew their fleet of vessels or build a new vessel.

In addition, income derived from international maritime transportation earned by a non-resident or certain Canadian resident corporations is exempt from income tax.

Print Media Corporations

To help safeguard Québec's print media and maintain their original written content on general-interest news, the Québec government has implemented two tax measures:

- Refundable tax credit for the digital transformation of print media corporations;
- Refundable tax credit to support print media corporations.

A corporation that wishes to make use of these tax credits must obtain eligibility certificates from Investissement Québec.⁶¹

Some journalism organizations may also benefit from an exemption from federal and Québec income taxes. Finally, the federal government grants a Canadian journalism labour tax credit.

Tax Credit for the Digital Transformation of Corporations

To help a corporation launch or continue the digital transformation of its business model, a refundable tax credit may be granted equal to 35% of qualified digital conversion costs that it has incurred during the year and before 2026, up to a maximum of \$20 million,⁶² for a maximum annual credit of \$7 million.

Qualified digital conversion costs comprise salaries of eligible employees performing eligible activities and 80% of the amount paid under an eligible digital conversion contract.

Eligible activities for the purpose of qualifying an employee or a contract include development of information systems, integration of technology infrastructure, development of interactive decision aids (business modelling) and development of business imaging tools that show a corporation in its current state for the purpose of data analysis (business intelligence), but do not include the day-to-day operation of the aids and tools or activities related to the operation of information technologies.

Tax Credit to Support Print Media Corporations

A corporation may apply for a refundable tax credit equal to 35% of wages paid to employees working in the production of information content or the operation of information technologies related to the production or publication of content. The annual credit is limited to \$26,250 per employee, or annual wages of \$75,000.

⁶⁰ For a given taxation year, this measure applies to the cost of work executed under an eligible contract entered into before January 1, 2025.

⁶¹ The corporation must obtain corporation, employee and contract eligibility certificates from Investissement Québec indicating the following:

- that it has produced or distributed an eligible publication, namely a print or digital publication including original written informational content of general interest aimed specifically at the Québec public and covering at least three current event themes, and that is produced and distributed daily or periodically (at least 10 times a year);
- that the employees work at least 26 hours a week for an anticipated minimum of 40 weeks and spend at least 75% of their time doing or directly supervising eligible activities;
- that the digital conversion contract concerns one or more of the following: the acquisition or lease of equipment and technologies required for the performance of eligible activities, the provision of services consisting of eligible activities, or a right of use or licence to perform eligible activities.

⁶² This annual limit must be shared among associated corporations.

Eligible activities for this tax credit include research, data gathering, fact checking, photography, writing, editing, design and other content preparation–related activities, as well as the following operation of information technology activities:

- Management or operation of computer systems, applications or technology infrastructure;
- Operation of a customer relations management service;
- Management or operation of a marketing information system designed to increase the visibility of the media and promote it to an existing or potential clientele;
- Any other activity of a similar nature that could be called a management or operating activity for the purposes of the eligible media.

Canadian Journalism Labour Tax Credit

An eligible Canadian journalism organization may obtain a refundable tax credit equal to 35%⁶³ of the salary or wages paid to eligible newsroom employees, up to an annual maximum of \$85,000 per employee. The maximum annual credit is \$29,850⁶⁴ per employee. To receive this tax credit, an organization must submit an Application for Qualified Canadian Journalism Organization to the Canada Revenue Agency.

On-the-Job Training and Workforce Training

A number of businesses believe in the benefits of collaboration between the academic and business communities. These businesses complement the theoretical aspects of a student's education with practical training. To encourage these initiatives, the Québec tax system provides a tax credit with respect to student training within such businesses. A corporation can claim a refundable tax credit equal to 24% of a student's salary.⁶⁵ The tax credit rate is 40% when the student is a person with a disability, an immigrant or an Indigenous person or when the training takes place in a resource region. Similarly, the tax credit increases to 40% in the third year of recurring eligible on-the-job training.⁶⁶

Employers who hire an eligible apprentice⁶⁷ can benefit from the federal apprenticeship job creation tax credit. This tax credit corresponds to 10% of the salary paid to an apprentice up to an annual maximum of \$2,000 per apprentice.

Worker Hiring and Training

Finally, various credits are available to SMBs to encourage the training of their workers and promote the hiring of workers facing severe employment restrictions.

⁶³ Increased rate applicable from 2023 to 2026, inclusive (25% after 2026).

⁶⁴ Maximum annual credit of \$21,250 after 2026.

⁶⁵ Eligible expenditures include the salaries of students and their supervisors. Expenditures may not, however, exceed \$700 or \$875 per student per week (\$875 or \$1,225 when the student is a person with a disability) depending on the type of training.

⁶⁶ 50% when the student is a person with a disability, an immigrant or an Indigenous person or when the training takes place in a resource region. A corporation only qualifies for the enhanced rate if it has qualified for at least three consecutive taxation years in respect of a student trainee and the eligible expenditure has amounted to at least \$2,500 for each of the three consecutive years.

⁶⁷ Eligible apprentices must practise one of the designated Red Seal trades.



The fight against climate change is now part of the growing concerns of business leaders; it is also a priority of the Québec and Canadian governments. Whether they want to increase profitability by improving their energy efficiency or enhance their image, businesses have no choice but to invest in the fight against climate change. Therefore, businesses must take advantage of any and all opportunities offered by the fight against climate change to position themselves and increase their competitiveness.

Our governments have traditionally used regulations to protect the environment and decrease pollution. Over the last few years, public authorities have recognized that the fight against climate change must involve business commitment. It is with this in mind that government authorities have started promoting renewable energy investments through tax measures.

Companies in Québec benefit from a substantial competitive advantage due to the use of hydroelectricity, and the climate change framework policy provided for by the *Environment Quality Act* aims to enhance this advantage (*2030 Plan for a Green Economy*).

Generally, the carbon footprint of products manufactured in Québec is lower than that of products manufactured in the other provinces or the United States. Québec businesses going green can therefore compete very favourably when they use hydroelectricity.

This section provides a summary of the main measures that apply to businesses. Some of the measures are available on a voluntary basis, encouraging taxpayers to make “green” choices to benefit from tax relief, while others are mandatory. However, all of these measures have one common goal: the fight against climate change.

GREENHOUSE GASES (GHG)

Québec has set up a cap-and-trade system for greenhouse gas emissions in which large industrial emitters and fossil fuel distributors have to acquire an emission allowance for every metric ton of GHG they emit into the atmosphere. This system, which is linked to the one in California, constitutes the largest carbon market in North America. The cap-and-trade system is based mainly on rigorous reporting of GHG emissions, governed by the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*, which requires Québec businesses to report certain emissions of contaminants into the atmosphere from their activities, including GHG emissions.⁶⁸

Mandatory Reporting of Certain Emissions of Contaminants into the Atmosphere

Enterprises operating an establishment that emits 10,000 metric tons or more of carbon dioxide equivalents (CO₂e) annually are required to report their GHG emissions, as long as their emissions have not been lower than this level over four consecutive years. An enterprise that purchases electricity produced outside Québec, except electricity produced in the territory of a partner entity or a province or territory of Canada, for its own consumption or for sale in Québec must also report the emissions attributable to the production of that electricity. The reports must be filed by June 1 at the latest for GHG emissions for the previous calendar year. Every person or municipality operating an enterprise that distributes more than 200 litres of fuels and combustibles annually must report all these GHG emissions to the Minister of Sustainable Development, the Environment, and the Fight against Climate Change. The GHG emissions calculation and application of the reporting threshold are determined separately for each establishment owned by an enterprise.

Also, enterprises subject to the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances* are required to have their emissions report verified by an independent and ISO 14065–certified verification organization. These verification reports must be sent to the Minister by June 1, at the latest, following the end of the year in which the emissions were reported.

Cap-and-Trade System

The cap-and-trade system targets enterprises whose annual emissions for an establishment are equal to or greater than 25,000 metric tons of CO₂e,⁶⁹ as well as producers and importers of electricity whose GHG emissions associated with the production of this electricity are equal to or greater than 25,000 metric tons of CO₂e annually. Distributors of fossil fuels and combustibles are also subject to Québec's cap-and-trade system and must declare their GHG emissions attributable to the combustion of all fuels they distribute in Québec, except for those sold to large emitters, which already declare these emissions. Furthermore, enterprises operating industrial facilities that report annual emissions equal to or greater than 10,000 metric tons of CO₂e may voluntarily register for the carbon market and thus become subject to the cap-and-trade system.

Briefly, the terms and conditions of the system are as follows: each year, the government sets the GHG emission unit caps, which correspond to the maximum amount that all reporting issuers can emit; this number decreases progressively every year. Emitters can receive emission units for free, buy them from the government when they are auctioned or at a reserve sale, or acquire them from other businesses through the secondary market. The minimum price for emission units, set by regulation, is increased by 5% every year and indexed as prescribed by section 83.3 of the *Financial Administration Act*.

⁶⁸ For more information about all of Québec's ecofiscal measures (in French), visit the website of the Ministère des Finances at https://www.finances.gouv.qc.ca/ministere/environnement_economie_verte/mesures-ecofiscales/ecofiscalite_quebec.asp.

⁶⁹ The calculation of the threshold excludes certain sources of emissions which are listed in Section 6.6 of the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*.

At the end of each compliance period (generally three years),⁷⁰ emitters must provide the government with a number of emission allowances⁷¹ equivalent to their GHG emissions for the years of the compliance period. To acquire emission allowances, emitters may:

- Participate in auctions of emission units organized by the government four times a year. All income from these sales for units sold by the Québec government is paid into the Electrification and Climate Change Fund, in accordance with the *Environment Quality Act*;
- Purchase emission rights (emission units or offset credits) held by another entity that is a market participant;
- Purchase offset emission credits that were issued to enterprises or persons that have executed GHG emission reduction projects, or CO₂ removal from the atmosphere in sectors not covered by the cap-and-trade system, in accordance with the requirements of the protocols set out in the regulations;⁷²
- Participate in a ministerial reserve sale, which can be held up to four times a year, to purchase emission units at set prices.⁷³

CLEAN ENERGY GENERATION

Equipment designed to produce clean energy (Class 43.1) acquired and available for use before 2028 may benefit from an enhanced CCA rate in the year in which it is commissioned. The allowance ranges from 55% to 75% of the cost of the equipment, depending on the year in which it is commissioned. In addition, costs incurred in developing and commissioning renewable energy or energy conservation projects receive favourable tax treatment. These measures represent a financial advantage for businesses that would like to go green and invest in new, more productive and less energy-consuming equipment.

⁷⁰ Ongoing compliance period: 2024 to 2026.

⁷¹ Emission allowances include emission units and offset credits.

⁷² Despite the fact that an emitter can buy an unlimited number of offset credits, the emitter is limited to using credits for a maximum of 8% of its emissions to help it comply during the period in question. Furthermore, five project types may qualify as generating offset credits: destroying methane from a manure pit; destroying or processing methane from landfill sites; destroying halocarbons; destroying methane from degasification systems in operating coal mines; and carbon sequestration by means of afforestation or reforestation on land in the private domain.

⁷³ To be eligible for a reserve sale, emitters must not hold emission units in their general account that can be used to cover GHG emissions for the current compliance period.

TAX CREDITS FOR INVESTMENT IN CLEAN ENERGY

In recent years, the federal government has announced several measures, including the enhancement of the investment tax credit for carbon capture, utilization, and storage (CCUS) and the implementation of new investment tax credits (ITCs) for clean energy. The following table presents the principal terms of the various clean energy ITCs.⁷⁴

Federal Government's Clean Energy Investment Tax Credits ¹			
Investment Tax Credit	Refundable Tax Credit Rate ²	Types of Investments Covered	Applicable Dates
Clean technology	30%	Low-emission electricity and heat generation systems (solar, wind, hydroelectric, geothermal, nuclear and zero-emission), battery storage solutions and zero-emission off-road vehicles	Property acquired and available for service before 2035 <ul style="list-style-type: none"> ITC rate halved in 2034
Clean technology manufacturing, and extraction and processing of critical minerals	30%	Machinery and equipment used in the manufacturing and processing of equipment used to generate solar, wind, hydroelectric, geothermal, nuclear and zero-emission energy	Property acquired and available for service before 2035 <ul style="list-style-type: none"> ITC rate reduced as of 2032
Clean hydrogen	15% to 40% depending on the carbon intensity of the hydrogen produced	Equipment for producing hydrogen from: <ul style="list-style-type: none"> electrolysis; natural gas, if the emissions are reduced with CCUS 	Property acquired and available for service before 2035 <ul style="list-style-type: none"> ITC rate halved in 2034
Carbon capture, utilization and storage (CCUS)	37.5% to 60% depending on the type of equipment acquired	Equipment used for carbon capture, utilization, transportation and storage	Property acquired before 2041** <ul style="list-style-type: none"> ITC rate halved from 2031 to 2040 <p><i>** Regardless of when the property is available for service</i></p>
Clean electricity	15%	Equipment used for electricity generation, transmission and storage	Property acquired and available for service before 2035, for projects for which construction did not start before March 28, 2023

¹ To be eligible for these credits, the property must be new; that is, it must not have been used or acquired to be used or leased for any purpose whatever before its acquisition by the taxpayer.

² Subject to the labour requirements.

⁷⁴ Rules apply to limit the accumulation of ITCs if a given expenditure is eligible for more than one of these tax credits. For more information on these credits, visit the CRA's website at <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/business-tax-credits/clean-economy-itc.html>.

Labour Requirements

Businesses must ensure that all workers are paid in accordance with an eligible collective agreement or wages that are equivalent to or greater than the wages in effect under such an agreement.⁷⁵ The requirement may be satisfied by different combinations of wages, pension plan contributions and benefits.

In addition, for a given taxation year, at least 10% of total labour hours provided by workers must be worked by registered apprentices.⁷⁶ However, the number of apprentices may never exceed the number authorized by the labour laws or collective agreement applicable to the work in question.

If these requirements are not respected, the ITC rate is reduced by 10%.

⁷⁵ In Québec, eligible collective agreements designate collective agreements negotiated in accordance with the *Act respecting labour relations, vocational training and workforce management in the construction industry*. Outside the province, they refer to agreements that can reasonably be considered as the industry standard for a given profession.

⁷⁶ In this context, a worker refers to a worker whose functions correspond to those carried out by a journeyperson practising a Red Seal trade.



COMMODITY TAXES AND PERSONAL TAXATION

5

In Québec, most commercial transactions are subject to the 5% federal Goods and Services Tax (GST) and the 9.975% Québec Sales Tax (QST). The QST system was largely harmonized with the GST/HST system, and most transactions that are subject to the GST/HST are also subject to the QST.

GST registrants are required to collect the harmonized sales tax (HST) instead of GST when making supplies in certain provinces in Eastern Canada (Prince Edward Island, Newfoundland and Labrador, Nova Scotia, New Brunswick and Ontario, hereafter the “Participating Provinces”). HST is a value-added tax, like GST and QST. The rules governing HST are identical to those for GST and the HST rate includes GST at 5%. If HST is collectible, QST would not be.

Participating Provinces	HST Rate
Ontario	13%
Nova Scotia	14%
New Brunswick, Newfoundland and Labrador, and Prince Edward Island	15%

TAX BASE

GST/HST and QST apply on the supply or importing of tangible and intangible movable and immovable property, as well as services. There are some exceptions, however. For example, goods and services to be exported, basic food and prescription drugs are generally zero-rated, that is, they are taxable, but at a zero rate. Other supplies are tax-exempt, such as financial services and some goods and services supplied by public service or charitable organizations, used residential buildings and medical services.

VALUE-ADDED TAX – MECHANISM

As the GST/HST and QST are both value-added taxes, the cost is borne by the final consumer. Thus, if a corporation does business in Québec and is a GST/HST and QST registrant, it normally should not have to absorb any cost with respect to taxes paid or payable on supplies acquired in connection with its commercial activities due to input tax credits (ITCs) under the GST/HST regime and input tax refunds (ITRs) under the QST regime. ITCs and ITRs make it possible for GST/HST and QST registrants to obtain a refund of taxes paid or payable. Suppliers of taxable goods and services (including zero-rated supplies) may claim an ITC/ITR, if they are registered for purposes of GST/HST and QST, whereas suppliers of tax-exempt goods and services may not claim an ITC/ITR. When a registrant files its commodity tax return, ITCs and ITRs are applied against GST/HST and QST it has collected on its taxable sales. Registrants must remit the difference to the tax authorities and will receive a refund for negative amounts. GST/HST and QST (for Québec residents)⁷⁷ remittances and claims are made on the same form either monthly, quarterly or annually, depending on the registrant's income.

In some cases, tax-exempt supplies may entitle the supplier to specific partial refunds.

GST/HST and QST Registration – General System

In general, a corporation must register for GST/HST and QST purposes if it operates a business in Canada (in Québec for QST purposes) and carries out taxable transactions in connection with a commercial activity. There is one exception. A person does not have to register if the person is a small supplier, i.e. a person who made less than \$30,000 of taxable transactions and zero-rated transactions⁷⁸ during the four previous calendar quarters.⁷⁹ On the other hand, if the person makes more than \$30,000 of taxable and zero-rated transactions during the four previous quarters, or \$30,000 of transactions in a single quarter, the person is required to register.

GST/HST and QST Registration – Non-Resident Suppliers

Corporations outside Canada (outside Québec for QST purposes) and certain operators of digital distribution and accommodation platforms may be required to register for the designated GST/HST and QST systems for non-residents in certain situations, or may choose to register for the general GST/HST and QST systems. The designated systems do not allow registrants to claim ITCs and ITRs related to taxes paid or payable for supplies acquired in connection with their commercial activities. Non-residents may register for the designated systems through online portals.

Imports – GST/HST and QST

Imported commercial goods are subject to GST (5%) at customs. However, a corporation can generally recover (as an ITC) the GST paid on imports if it is a GST registrant. There is no QST when commercial goods clear customs; however, the importer is required to self-assess if the goods are used in tax-exempt activities. Imported personal use goods are subject to the GST/HST and QST.

Importers of intangible movable property, a service or certain tangible movable property that is not used exclusively in the course of their commercial activities are required to self-assess for GST/HST and QST, as applicable.

Exports – GST/HST and QST

Exported goods are generally not subject to GST/HST and QST. The general principle for exports of services is that GST/HST will not be collected from a customer who is not a resident of Canada and QST will not be collected from a customer who is not a resident of Québec. Some exceptions apply, for example, when the service relates to tangible real property or immovable property in Québec/Canada.

⁷⁷ For non-residents of Québec, GST/HST and QST remittances are made on separate forms with the Canada Revenue Agency and Revenu Québec.

⁷⁸ Transactions of all corporations in the same group have to be considered in order to determine the amount of taxable transactions. Other rules apply.

⁷⁹ Although a corporation may not be required to register for the GST/HST and QST systems, it can, in certain cases, do so voluntarily.

OTHER TAXES

The provinces of Saskatchewan, Manitoba and British Columbia levy a provincial retail sales tax. This tax is over and above GST on the sale or leasing of tangible movable property or the provision of taxable services to the final consumer in these provinces. Individuals doing business in these provinces or carrying out solicitation activities to make taxable supplies may be required to register and collect the provincial sales tax as well as GST. In these regimes, certain non-residents who deliver taxable goods in the province (i.e. to consumers) may be required to register and collect taxes, even if they have no establishment and do not carry out solicitation activities in the province.

In addition, operators of distribution platforms that facilitate the sale of tangible goods, software for use on a device generally located in these provinces, certain taxable services or accommodation by non-residents may now be required to register in Manitoba and Saskatchewan, under certain conditions. In this case, the responsibility for collecting and remitting the provincial sales taxes on taxable sales facilitated by their distribution platforms is, in a sense, transferred to the platform operators. British Columbia has implemented a similar obligation.

Certain products, including tobacco products, fuel and alcoholic beverages, as well as insurance products, are subject to Canada's excise tax and certain specific provincial and Québec taxes.

PERSONAL TAXATION

Under Canada's tax system, the income tax payable by individuals depends on whether they are residents or non-residents of Canada. Individuals who are resident in Canada during a taxation year are subject to Canadian income tax on their world income. Non-resident individuals only have to pay Canadian income tax on their income earned in Canada. Individuals are subject to provincial income tax on their world income if they are resident in that province on December 31.

In general, individuals are considered to be residents of the Canadian province where they have substantial residential ties, i.e. the place where their dwelling or home is located and where the individual's spouse and children live. The facts of each situation have to be analyzed and a number of other criteria also have to be taken into consideration, including the tax treaties signed by Canada.⁸⁰

⁸⁰ For more details on tax treaty developments, consult the Department of Finance Canada's website: <https://www.canada.ca/en/department-finance.html>.



ADDITIONAL INFORMATION

It is difficult to compare the tax systems of any two countries because of the many differences that may exist between the two systems. Therefore, it cannot be said that one system is superior to the other simply based on corporate tax rates. Managers of corporations have to evaluate a country's tax system based on their own situation, taking into account the rules for computing taxable income, income tax rates, payroll taxes and commodity taxes, as well as the various tax measures.

Overall, Québec's tax system is very competitive because of its low corporate tax rates, the rules for computing taxable income and the various credits and deductions available to corporations.

This brochure provides an overview of the taxation of corporations in Québec. It does not contain all of the often complex details of these measures. The authors and editors are not responsible for the consequences of any decision made based on the information herein, or for any error or omission. A tax specialist should be consulted for additional explanations.

Information about all of the measures discussed in this brochure can be obtained from Raymond Chabot Grant Thornton.



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Canada Revenue Agency

Agence du revenu du Québec



APPENDICES

APPENDIX 1

NET COST OF R&D EXPENDITURES – SMB¹

Example

A corporation realizing profits incurs \$110,000 of R&D expenditures, i.e. \$90,000 for the salary of a researcher, \$5,000 for subcontracting in Québec, \$5,000 for materials and \$10,000 for equipment to be used only for R&D.²

EXPENDITURES	For a fiscal year starting in 2025, after March 25, 2025	\$
A	Salaries (represents 1.25 full-time employees)	90,000
B	Arm's-length subcontractors	5,000
C	Materials	5,000
D	Equipment	10,000
E	Total R&D expenditures	110,000
	Québec tax credit	
F	$[(A + B/2 + D) - (18,571 \times 1.25)] \times 30\%$ ³	23,786
	Federal tax credit	
	Total eligible expenditures (A + 0.8B + C)	99,000
	Overhead A x 55% ⁴	49,500
	Less Québec credit	(23,786)
G	Expenditures eligible for credit	124,714
H	G x 35%	43,650
I	Total tax credits (F + H)	67,436
	Net cost to corporation before income taxes (E – I)	42,564
	Tax savings	
	Federal $[(E - I) \times 9\%]$	3,831
	Québec $[(E - I) \times 3.2\%]$	1,362
J	Total tax savings	5,193
K	Net cost to corporation (E – I – J)	37,371

¹ For the purposes of the Québec tax credit, the rate is the same regardless of the size of the corporation. For purposes of the federal tax credit, an SMB is a Canadian-controlled private corporation whose taxable capital for all the corporations in the group does not exceed \$10 million for the preceding taxation year.

² In Québec, salary or subcontracting expenditures needed to obtain a registration or certification for the purpose of commercializing a product or process further to R&D activities or product design are also eligible.

³ The exclusion threshold amounts to \$18,571 in 2025 (indexed annually). This threshold applies annually to the first dollars of wages paid to each eligible employee, up to a maximum threshold of \$50,000 per year.

⁴ Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of adjusted R&D salaries.

APPENDIX 2

NET COST OF R&D EXPENDITURES – LARGE CORPORATION OR FOREIGN-CONTROLLED CORPORATION REALIZING PROFITS

Example

A corporation realizing profits incurs \$110,000 of R&D expenditures, i.e. \$90,000 for the salary of a researcher, \$5,000 for subcontracting in Québec, \$5,000 for materials and \$10,000 for equipment to be used only for R&D.¹

EXPENDITURES For a fiscal year starting in 2025, after March 25, 2025

	\$
A Salaries (represents 1.25 full-time employees)	90,000
B Arm's-length subcontractors	5,000
C Materials	5,000
D Equipment	10,000
E Total R&D expenditures	110,000
Québec tax credit	
F $[(A + B/2 + D) - (18,571 \times 1.25)] \times 30\%^2$	23,786
Federal tax credit	
Total eligible expenditures $(A + 0.8B + C)$	99,000
Overhead $A \times 55\%^3$	49,500
Less Québec credit	(23,786)
G Expenditures eligible for credit	124,714
H G x 15%	18,707
I Total tax credits (F + H)	42,493
Net cost to corporation before income taxes (E – I)	67,507
Tax savings	
Federal $[(E - I) \times 15\%]$	10,126
Québec $[(E - I) \times 11.5\%]$	7,763
J Total tax savings	17,889
K Net cost to corporation (E – I – J)	49,618

¹ In Québec, salary or subcontracting expenditures needed to obtain a registration or certification for the purpose of commercializing a product or process further to R&D activities or product design are also eligible.

² The exclusion threshold amounts to \$18,571 in 2025 (indexed annually). This threshold applies annually to the first dollars of wages paid to each eligible employee, up to a maximum threshold of \$50,000 per year.

³ Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of adjusted R&D salaries.

APPENDIX 3

NET COST OF R&D EXPENDITURES – LARGE CORPORATION OR FOREIGN-CONTROLLED CORPORATION REALIZING LOSSES

Example

A corporation realizing losses incurs \$110,000 of R&D expenditures, i.e. \$90,000 for the salary of a researcher, \$5,000 for subcontracting in Québec, \$5,000 for materials and \$10,000 for equipment to be used only for R&D.¹

EXPENDITURES	For a fiscal year starting in 2025, after March 25, 2025	\$
A	Salaries (represents 1.25 full-time employees)	90,000
B	Arm's-length subcontractors	5,000
C	Materials	5,000
D	Equipment	10,000
E	Total R&D expenditures	110,000
	Québec tax credit	
F	$[(A + B/2 + D) - (18,571 \times 1.25)] \times 30\%^2$	23,786
	Federal tax credit	
	Total eligible expenditures (A + 0.8B + C)	99,000
	Overhead A x 55% ³	49,500
	Less Québec credit	(23,786)
G	Expenditures eligible for credit	124,714
H	G x 15% ⁴	0
I	Total tax savings (F + H)	23,786
J	Net cost to corporation before income taxes (E – I)	86,214

¹ In Québec, salary or subcontracting expenditures needed to obtain a registration or certification for the purpose of commercializing a product or process further to R&D activities or product design are also eligible.

² The exclusion threshold amounts to \$18,571 in 2025 (indexed annually). This threshold applies annually to the first dollars of wages paid to each eligible employee, up to a maximum threshold of \$50,000 per year.

³ Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of adjusted R&D salaries.

⁴ Since the corporation is realizing losses and the credit is not refundable, the corporation can benefit from its federal credit only if it has realized profit within the three previous years or if it realizes profit in the next 20 years.

APPENDIX 4

TAX CREDITS FOR THE DEVELOPMENT OF E-BUSINESS

Example

A large corporation incurs \$100,000 of salary expenditures in respect of an employee who spends 25% of his time on R&D activities and 75% of his time on activities that are eligible for the tax credits for the development of e-business (CDAE).

EXPENDITURES For a fiscal year starting in 2025, after March 25, 2025		\$
A	Employee's salary	100,000
B	Percentage of salary eligible for R&D tax credit	25%
C	Percentage of salary eligible for CDAE tax credits	75%
Québec R&D tax credit¹		
E	$[(A - 18,571) \times B \times 30\%]$	6,107
Federal R&D tax credit		
	Total eligible expenditures (A x B)	25,000
	Overhead A x B x 55% ²	13,750
	Less Québec credit	(6,107)
F	Expenditures eligible for credit	32,643
G	F x 15%	4,896
H	Total R&D tax credits (E + G)	11,003
CDAE		
I	Employee's salary $[(A - 18,571) \times C]$	61,072
J	Refundable CDAE (23% x I)	14,047
K	Non-refundable CDAE (7% x I)	4,275
L	Total CDAE tax credits (J + K)	18,322
M	Total tax credits in respect of the employee's salary (H + L)	29,325

¹ The corporation could also choose to claim 100% of the employee's time for the purposes of the CDAE.

² Proxy method used to calculate overhead. Under this method, actual overhead is replaced by 55% of adjusted R&D salaries.

APPENDIX 5

ENTITIES ELIGIBLE FOR THE TAX CREDIT FOR R&D, INNOVATION AND PRE-COMMERCIALIZATION

Eligible Public Research Centres

Eligible public research centres include:

- Government research centres;
- College technology transfer centres (CTTC);
- SR&ED organizations.

Eligible College Technology Transfer Centres

An eligible collegiate technology centre includes any affiliated prescribed research centres. For a list of college technology transfer centres, consult the list published by the Réseau des CCTT: [List of centres](#).

For a list of eligible public research centres and SR&ED organizations, consult the list published by the Ministère de l'Économie et de l'Innovation at the following link [List of eligible public research centres](#).

Eligible University Entities

All universities in Québec

The following medical research university hospital centres, including a wholly owned subsidiary of one of these centres or a non-profit corporation under the authority of one of them:

The following McGill University network centres:

- Douglas Hospital;
- Douglas Hospital's Research Centre;
- McGill University Health Centre;
- McGill University Health Centre Research Institute;
- Sir Mortimer B. Davis Jewish General Hospital.

The following Université de Montréal network centres:

- CHUM (including Hôpital Notre-Dame, Hôpital Saint-Luc and Hôtel-Dieu de Montréal);
- CHU Sainte-Justine;
- Hôpital du Sacré-Cœur de Montréal;
- Hôpital Louis-H. Lafontaine;
- Hôpital Maisonneuve-Rosemont;
- Institut de réadaptation de Montréal;
- Institut de recherches cliniques de Montréal;
- Institut du cancer de Montréal;
- Institut Philippe-Pinel de Montréal;
- Institut universitaire de gériatrie de Montréal (IUGM);
- Montréal Heart Institute.

The following Université Laval network centres:

- Centre hospitalier affilié universitaire de Québec (CHA);
- Centre hospitalier universitaire de Québec (CHUQ);
- Institut universitaire de cardiologie et de pneumologie du Québec.

Centre hospitalier universitaire de Sherbrooke (CHUS)

Research Consortia

For a list of research consortia, consult the list published by the Ministère de l'Économie et de l'Innovation at the following link (bottom of page): [Recognition of eligible research consortia](#).

APPENDIX 6

TERRITORIES FOR THE TAX CREDIT RELATING TO INVESTMENT AND INNOVATION (C3i) AND THE TAX HOLIDAY FOR LARGE INVESTMENT PROJECTS (TH-LIP)

Territories with Low Economic Vitality

Territories with low economic vitality designate the following regional county municipalities (RCMs) and urban agglomerations:

Territories with Low Economic Vitality	
Abitibi-Ouest ¹	Le Rocher-Percé
Antoine-Labelle	Les Appalaches ⁵
Argenteuil ²	Les Basques
Avignon	Les Etchemins ⁶
Bonaventure	Les Sources
Charlevoix-Est	L'Islet ¹
Communauté maritime des Îles-de-la-Madeleine ³	Manicouagan ¹
La Côte-de-Gaspé ³	Maria-Chapdelaine
La Haute-Côte-Nord	Maskinongé ⁴
La Haute-Gaspésie	Matawinie ²
La Matanie	Mékinac
La Matapédia	Montmagny ¹
La Mitis	Papineau ⁷
La Tuque	Pontiac
La Vallée-de-la-Gatineau	Shawinigan
Le Domaine-du-Roy ⁴	Témiscouata
Le Golfe-du-Saint-Laurent	Témiscamingue ³

- The RCMs of **Abitibi-Ouest**, **L'Islet**, **Manicouagan** and **Montmagny** have been added to the territories with low economic vitality in respect of eligible expenses incurred after **June 19, 2025**, for the acquisition of property eligible for the C3i credit after that date⁸¹ or insofar as the exemption period of the corporation executing the large investment project starts after that date.
- The RCMs of **Matawinie** and **Argenteuil** have been removed from the territories with low economic vitality in respect of eligible expenses incurred after **June 30, 2025**, for the acquisition of property eligible for the C3i credit after that date or insofar as the exemption period of the corporation executing the large investment project starts after that date.
- The **Communauté maritime des Îles-de-la-Madeleine** and the RCM of **Côte-de-Gaspé** have been removed from the territories with low economic vitality, while the RCM of **Témiscamingue** has been added to these territories in respect of expenses incurred after **March 31, 2023**, for the acquisition of property eligible for the C3i credit after that date⁸² or insofar as the exemption period of the corporation executing the large investment project starts after that date.
- The RCMs of **Le Domaine-du-Roy** and **Maskinongé** have been added to the territories with low economic vitality in respect of eligible expenses incurred after **June 30, 2021**, for the acquisition of property eligible for the C3i credit after that date.⁸³
- The RCM of **Les Appalaches** is temporarily maintained in the territories with low economic vitality in respect of eligible expenses incurred after **March 10, 2020**, and before **July 1, 2027**, for the acquisition of property eligible for the C3i credit between those dates⁸⁴ or insofar as the large investment project starts by **June 30, 2027**, at the latest.
- The RCM of **Les Etchemins** will be removed from the territories with low economic vitality in respect of eligible expenses incurred after **June 30, 2027**, for the acquisition of property eligible for the C3i credit after that date or insofar as the exemption period of the corporation executing the large investment project starts after that date.

⁸¹ Excluding property acquired in accordance with a written obligation entered into before June 20, 2025, and property whose construction had begun by June 19, 2025.

⁸² For the RCM of Témiscamingue, excluding property acquired in accordance with a written obligation entered into before April 1, 2023, and property whose construction had begun by March 31, 2023.

⁸³ Excluding property acquired in accordance with a written obligation entered into before July 1, 2021, and property whose construction had begun by June 30, 2021.

⁸⁴ Excluding property acquired in accordance with a written obligation entered into before March 11, 2020, and property whose construction had begun by March 10, 2020.

7 The RCM of **Papineau** is temporarily maintained in the territories with low economic vitality in respect of eligible expenses incurred after **June 30, 2021**, and before **July 1, 2027**, for the acquisition of property eligible for the C3i credit between those dates⁸⁵ or insofar as the large investment project starts by **June 30, 2027**, at the latest.

Territories with Intermediate Economic Vitality

A territory with intermediate economic vitality designates a territory located in Québec that is neither a territory with low economic vitality nor a territory with high economic vitality.

Territories with High Economic Vitality

A territory with high economic vitality is one of the municipalities constituting the Communauté métropolitaine de Montréal and the Communauté métropolitaine de Québec, which are listed below:

Municipalities of the Communauté métropolitaine de Montréal			
Baie-D'Urfé	Hampstead	Mont-Saint-Hilaire	Saint-Mathias-sur-Richelieu
Beaconsfield	Hudson	Notre-Dame-de-l'Île-Perrot	Saint-Mathieu
Beauharnois	Kirkland	Oka	Saint-Mathieu-de-Beloeil
Belœil	La Prairie	Otterburn Park	Saint-Philippe
Blainville	L'Assomption	Pincourt	Saint-Sulpice
Boisbriand	Laval	Pointe-Calumet	Sainte-Anne-de-Bellevue
Bois-des-Filion	Léry	Pointe-Claire	Sainte-Anne-des-Prairies
Boucherville	Les Cèdres	Pointe-des-Cascades	Sainte-Catherine
Brossard	L'Île-Cadieux	Repentigny	Sainte-Julie
Calixa-Lavallée	L'Île-Dorval	Richelieu	Sainte-Marthe-sur-le-Lac
Candiac	L'Île-Perrot	Rosemère	Sainte-Thérèse
Carignan	Longueuil	Saint-Amable	Senneville
Chambly	Lorraine	Saint-Basile-le-Grand	Terrasse-Vaudreuil
Charlemagne	Mascouche	Saint-Bruno-de-Montarville	Terrebonne
Châteauguay	McMasterville	Saint-Constant	Varennes
Contrecoeur	Mercier	Saint-Eustache	Vaudreuil-Dorion
Côte-Saint-Luc	Mirabel	Saint-Isidore	Vaudreuil-sur-le-Lac
Delson	Montréal	Saint-Jean-Baptiste	Verchères
Deux-Montagnes	Montréal-Est	Saint-Joseph-sur-le-Lac	Westmount
Dollard-des-Ormeaux	Montréal-Ouest	Saint-Lambert	
Dorval	Mont-Royal	Saint-Lazare	
Municipalities of the Communauté métropolitaine de Québec			
Beaupré	L'Ancienne-Lorette	Saint-Gabriel-de-Valcartier	Sainte-Anne-de-Baupré
Boischatel	L'Ange-Gardien	Saint-Jean-de-l'Île-d'Orléans	Sainte-Brigitte-de-Laval
Château-Richer	Lévis	Saint-Joachim	Sainte-Catherine-de-la-Jacques-Cartier
Fossambault-sur-le-Lac	Québec	Saint-Laurent-de-l'Île-d'Orléans	Sainte-Famille-de-l'Île-d'Orléans
Lac-Beauport	Saint-Augustin-de-Desmaures	Saint-Louis-de-Gonzague-du-Cap-Tourmente	Sainte-Pétronille
Lac-Delage	Saint-Ferréol-les-Neiges	Saint-Pierre-de-l'Île-d'Orléans	Shannon
Lac-Saint-Joseph	Saint-François-de-l'Île-d'Orléans	Sainte-Tite-des-Caps	Stoneham-et-Tewkesbury

⁸⁵ Excluding property acquired in accordance with a written obligation entered into before July 1, 2021, and property whose construction had begun by June 30, 2021.



Île de Bonaventure, Gaspésie, Québec, Alexandre Blanchet

Taxation in Québec

Favourable Measures to Foster Investment 2025

Written by Raymond Chabot Grant Thornton in
collaboration with Investissement Québec and the
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