

## ***Extension of and improvement to the TCEB until 2025***

July 26, 2013

### ***In brief***

On July 11, 2013, the *Ministère des Finances et de l'Économie* announced the extension of the refundable tax credit for the development of e-business (TCEB) to 2025, the raising of the tax credit cap for eligible employees to the amount of \$22,500, and clarifications regarding the activities that qualify for the purpose of issuing certificates for employees. These measures apply to taxation years starting after July 11, 2013.

### ***In detail***

#### ***Background***

The TCEB refundable tax credit, introduced on March 13, 2008, is paid to eligible corporations that have an establishment in Quebec where they carry out business in the field of information technology.

Eligibility certificates must be obtained from *Investissement Québec* (IQ) for each taxation year for which the corporation intends to claim the TCEB refundable tax credit. To obtain these certificates, the corporation must satisfy criteria regarding the activities and services provided and the maintenance of a minimum of six eligible jobs. Information must be provided to show that the corporation meets these criteria. IQ will analyze contracts entered into, invoices, the duties and responsibilities of employees and the time spent on eligible activities.

The TCEB refundable tax credit is equivalent to 30% of the eligible wages paid to eligible employees performing eligible activities. The amount of the tax credit may not exceed \$20,000 per employee, per year. There are rules to prevent multiple applications for Quebec tax assistance relating to an expense that qualifies for more than one Quebec tax credit.

The TCEB refundable tax credit is calculated and applied for at the end of the taxation year, when the corporation files its income tax return with Revenu Québec. The prescribed forms and certificates obtained must be filed no later than 18 months after the end of the corporation's fiscal year. Some exceptions apply if the corporation has not received its certificates within the 18-month time limit.

*Investissement Québec* can provide a loan guarantee to cover the interim financing of the tax credit. *Investissement Québec* charges a fee for the analysis of an eligibility application. The eligibility period of this refundable tax credit started on March 14, 2008 and should end on December 31, 2015.

#### ***Extension of the eligibility period and increase to the amount of the tax credit***

The eligibility period for the TCEB will be extended by 10 years, to December 31, 2025. The maximum amount of the credit per eligible employee is raised to \$22,500 on an annual basis. For a corporate taxation year that includes January 1, 2016, this amount of \$22,500 will be calculated on a prorated basis. This new cap of \$22,500 represents 30% of annual wages of \$75,000.

**Clarifications regarding the eligible activities performed by employees**

As pointed out in the analyses that led to the introduction of the TCEB, and as reiterated by the Minister of Finance and the Economy, this measure was implemented to provide tax assistance for specialized businesses that carry out innovative, high value-added activities in the information technology sector, chiefly in the fields of computer systems design and software publishing. The duties of eligible employees must be directly linked to the execution of eligible activities.

The legislation will be amended to specify that:

- The information technology consulting service relating to technology, systems development or e-business solutions and processes that a corporation provides to a person may be eligible if such consulting service relates either to:

- the development, integration, maintenance or evolution of information systems or technology infrastructures;
- the design or development of e-commerce solutions;
- the development of security and identification services that may be carried out for such person.
- The design or development of e-commerce solutions carried out by a corporation may qualify as an eligible activity if such activity consists of an e-commerce solution allowing a monetary transaction between the person on behalf of whom such design or development was carried out and the customers of such person.
- An activity relating to an information system concerning marketing designed to increase the visibility of a business and promote its goods and services with existing or potential customers does not qualify as an eligible activity for the purposes of the TCEB. For greater clarity, this exclusion does not apply to an activity relating to an information system including a component that partly concerns marketing.

To avoid any ambiguity, the examples of eligible activities currently given in the legislation will be deleted.

**Announced changes – Brief overview**

	Before	After
<b>Employee certificate</b>	-	Clarifications regarding eligible employee activities in IT consulting and in the design or development of e-business solutions
<b>Maximum credit amount per employee</b>	\$20,000 (Annual wage cap: \$66,666)	\$22,500 (Annual wage cap: \$75,000)
<b>End of the eligibility period</b>	December 31, 2015	December 31, 2025

## **Let's talk**

For a deeper discussion of how these tax issues might affect your business, please contact any of the following:

Vik Sachdev, *Greater Toronto Area*  
*National Scientific Research and Experimental Development (SR&ED) Leader*  
+1 (416) 869 2424  
[vik.sachdev@ca.pwc.com](mailto:vik.sachdev@ca.pwc.com)

### **Alberta**

Shawn Reain, *Calgary*  
+1 (403) 509 6373  
[shawn.d.reain@ca.pwc.com](mailto:shawn.d.reain@ca.pwc.com)

David Van Den Beld, *Calgary*  
+1 (403) 509 6643  
[d.vandenbeld@ca.pwc.com](mailto:d.vandenbeld@ca.pwc.com)

### **Atlantic**

Dean Landry, *Halifax*  
+1 (902) 491 7437  
[dean.landry@ca.pwc.com](mailto:dean.landry@ca.pwc.com)

Tim Ellis, *Saint John*  
+1 (506) 653 9461  
[tim.w.ellis@ca.pwc.com](mailto:tim.w.ellis@ca.pwc.com)

### **British Columbia**

Ted Bell, *Vancouver*  
+1 (604) 806 7705  
[ted.bell@ca.pwc.com](mailto:ted.bell@ca.pwc.com)

### **Manitoba**

Kevin Koziey, *Winnipeg*  
+1 (204) 926 2431  
[kevin.s.koziey@ca.pwc.com](mailto:kevin.s.koziey@ca.pwc.com)

### **Ontario**

Cathy Wraggett, *Greater Toronto Area*  
+1 (416) 869 2446  
[cathy.a.wraggett@ca.pwc.com](mailto:cathy.a.wraggett@ca.pwc.com)

Greg Garland, *Greater Toronto Area*  
+1 (905) 949 7440  
[greg.garland@ca.pwc.com](mailto:greg.garland@ca.pwc.com)

Bob Singh, *Greater Toronto Area*  
+1 (905) 897 4519  
[prabh.singh@ca.pwc.com](mailto:prabh.singh@ca.pwc.com)

Chris Bodnar, *Greater Toronto Area*  
+1 (905) 949 7311  
[christopher.a.bodnar@ca.pwc.com](mailto:christopher.a.bodnar@ca.pwc.com)

Kevin Robertson, *London*  
+1 (519) 640 7915  
[kevin.c.robertson@ca.pwc.com](mailto:kevin.c.robertson@ca.pwc.com)

Kent Smith, *Ottawa*  
+1 (613) 755 8742  
[kent.b.smith@ca.pwc.com](mailto:kent.b.smith@ca.pwc.com)

Mel Machado, *Ottawa*  
+1 (613) 755 5664  
[mel.machado@ca.pwc.com](mailto:mel.machado@ca.pwc.com)

Jay McLean, *Waterloo*  
+1 (519) 570 5759  
[jay.mclean@ca.pwc.com](mailto:jay.mclean@ca.pwc.com)

Loris Macor, *Windsor*  
+1 (519) 985 8913  
[loris.macor@ca.pwc.com](mailto:loris.macor@ca.pwc.com)

### **Quebec**

Lucie Bélanger, *Montreal*  
+1 (514) 205 5439  
[lucie.belanger@ca.pwc.com](mailto:lucie.belanger@ca.pwc.com)

Rémi Tremblay, *Quebec City*  
+1 (418) 691 2488  
[remi.tremblay@ca.pwc.com](mailto:remi.tremblay@ca.pwc.com)

### **Saskatchewan**

David Van Den Beld, *Saskatoon*  
+1 (403) 509 6643  
[d.vandenbeld@ca.pwc.com](mailto:d.vandenbeld@ca.pwc.com)

**Tax News Network (TNN)** provides subscribers with Canadian and international information, insight and analysis to support well-informed tax and business decisions.

Try it today at **[www.ca.taxnews.com](http://www.ca.taxnews.com)** or 1 866 Tax News (1 866 829 6397).