If you are involved in preparing financial reports for corporations or other organizations, certain 2020 Canadian income tax rate and other changes may need to be reflected in your interim financial statements under International Financial Reporting Standards (IFRS), Accounting Standards for Private Enterprises (ASPE) or U.S. generally accepted accounting principles (U.S. GAAP).

**When do new tax measures have to be taken into account?**

Under IFRS and ASPE, the tax effect of changes in tax law and rates is recognized in the period that includes the date that the changes were substantively enacted. Under U.S. GAAP, tax law and rate changes are recognized in the period that includes the date that the changes were enacted.

This *TaxNewsFlash-Canada* reflects the related Canadian federal and provincial income tax legislation substantively enacted or enacted between January 1, 2020 and June 30, 2020. It also includes a summary of certain outstanding corporate income tax measures that have been announced, but are not yet substantively enacted, including certain 2019 federal budget measures, Alberta’s accelerated general corporate income tax rate reduction to 8% as of July 1, 2020, and Quebec’s enhanced CCA measures announced in the Quebec 2018 Fall Economic Update.

For 2019 tax legislation enacted before January 1, 2020, see *TaxNewsFlash-Canada* 2020-01, “Tax Accounting — 2019 Tax Rates and Other Changes”.
Substantively enacted corporate tax rates for 2020

Although the federal general income tax rate for 2020 has not changed, Alberta previously decreased its general corporate income tax rate on January 1, 2020, with subsequent decreases enacted for January 1 of 2021 and 2022, until the general corporate income tax rate reaches 8%. Alberta recently announced that it will accelerate the general corporate income tax rate reduction so that the 8% tax rate comes into effect on July 1, 2020, but this acceleration is not substantively enacted (or enacted) as of June 30, 2020. In addition, Quebec decreased its general corporate income tax rate in 2020, pursuant to previously enacted reductions to take place each year from 2017 through 2020. Nova Scotia also decreased its general corporate income tax rate effective April 1, 2020. For 2020 and future years, both the federal and provincial general corporate income tax rates for the remaining provinces remain unchanged.

The federal small business income tax rate has not changed in 2020. However, the 2020 small business income tax rates have decreased in Ontario, Quebec, Nova Scotia and Prince Edward Island. The small business income tax rate in Quebec and Yukon will also decrease in 2021.

General corporations

The following federal and provincial corporate tax rates for active business income earned by a general corporation are substantively enacted and enacted as of June 30, 2020:

<table>
<thead>
<tr>
<th>Tax rates for active business income earned by a general corporation substantively enacted and enacted as of June 30, 2020¹</th>
<th>2020</th>
<th>2021 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal rate</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Provincial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Columbia</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Alberta²</td>
<td>10.0%</td>
<td>9.0/8.0%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Ontario</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Quebec³</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>14.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Nova Scotia⁴</td>
<td>16.0/14.0%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Territorial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yukon</td>
<td>12.0%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>
Nunavut 12.0% 12.0%

1 The rates in the table are substantively enacted as at June 30, 2020 for ASPE and IFRS purposes and are also enacted as at June 30, 2020 for U.S. GAAP purposes.
2 Alberta’s general corporate income tax rate decreased to 10% (from 11%) effective January 1, 2020. As of June 30, 2020, the corporate tax rate is legislated to decrease to 9% on January 1, 2021 and 8% on January 1, 2022. Although Alberta announced on June 29, 2020 that it intends to accelerate the reduction of the corporate income tax rate such that the 8% rate comes into effect on July 1, 2020, this change is not substantively enacted as of June 30, 2020.
3 Quebec’s general corporate income tax rate decreased to 11.5% (from 11.6%) effective January 1, 2020.
4 Nova Scotia’s general corporate income tax rate decreased to 14% (from 16%) effective April 1, 2020.

Canadian-controlled private corporations

The following federal and provincial corporate tax rates for general active business income earned by a Canadian-controlled private corporation (CCPC) on its income that is eligible for the small business deduction are substantively enacted and enacted as of June 30, 2020:

<table>
<thead>
<tr>
<th>Tax rates for active business income earned by a CCPC eligible for the small business deduction substantively enacted and enacted as of June 30, 2020¹</th>
<th>2020</th>
<th>2021 and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal rate</td>
<td>9.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Provincial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Columbia</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Alberta</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Saskatchewan²</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Ontario³</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Quebec⁴</td>
<td>5.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Nova Scotia⁵</td>
<td>3.0%/2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Prince Edward Island⁶</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Newfoundland and Labrador</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Territorial rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yukon⁷</td>
<td>2.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Nunavut</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

¹ The rates in the table are substantively enacted as at June 30, 2020 for ASPE and IFRS purposes and are also enacted as at June 30, 2020 for U.S. GAAP purposes.
2 Saskatchewan’s small business threshold is $600,000. Therefore, Saskatchewan’s combined tax rate on active business income between $500,000 and $600,000 is 17% (i.e., 15% federally and 2% provincially).

3 Ontario decreased its small business income tax rate to 3.2% (from 3.5%) effective January 1, 2020.

4 Quebec decreased its small business income tax rate to 5% (from 6%) effective January 1, 2020. The rate will further decrease to 4% effective January 1, 2021. Quebec’s small business deduction is generally available to corporations only if their employees were paid for at least 5,500 hours in the taxation year or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). Generally, a corporation’s small business deduction for Quebec purposes is reduced linearly, where the total number of hours is between 5,500 and 5,000 and reaches zero when the total hours do not exceed 5,000. Small and medium-sized businesses in the primary (i.e., agriculture, forestry, fishing, hunting, mining, quarrying and, oil and gas extraction) and manufacturing sectors in Quebec may be able to claim an additional deduction if they meet certain criteria. The maximum rate of the additional deduction as at January 1, 2020 is 1%, and will be eliminated on January 1, 2021.

5 Nova Scotia decreased its small business income tax rate to 2.5% (from 3%) effective April 1, 2020.

6 Prince Edward Island decreased its small business income tax rate to 3% (from 3.5%) effective January 1, 2020. The province’s 2020 budget proposes to further decrease the small business income tax rate to 2% effective January 1, 2021 but the measure is not substantively enacted as at June 30, 2020.

7 Yukon decreased its small business income tax rate to 0% (from 2%) effective January 1, 2021.

The latest rates and small business deduction thresholds are always available on our Canadian Corporate Tax Tables page on the KPMG Canada site.

Status of recent tax legislation at June 30, 2020

The tables below provide more information on selected 2020 federal and provincial corporate income tax measures that may have an impact on your June 30, 2020 financial statements.

For more information about these changes, contact your KPMG adviser or see the editions of TaxNewsFlash-Canada or TaxNewsNow noted below.

Federal legislation

Wage subsidies and the response to COVID-19

In response to the COVID-19 pandemic, the federal government introduced temporary wage subsidies, among other measures, to help support Canadian businesses. Although they are not corporate income tax measures, these taxable temporary wage subsidies may impact an organization’s financial statements and taxable income if the organization claims an amount under the 10% Temporary Wage Subsidy for eligible small employers and/or the broader 75% Canada Emergency Wage Subsidy (CEWS). The temporary wage subsidies were introduced in federal Bill C-13 (10% Temporary Wage Subsidy) and Bill C-14 (75% CEWS), which were enacted on March 25, 2020 and April 11, 2020, respectively. However, the government has continued to announce changes to these programs as the COVID-19
response evolves. For example, Bill C-17, which received first reading on June 10, 2020 and has not progressed any further as at June 30, 2020, includes amendments to the 75% CEWS Subsidy to address issues such as paymaster arrangements, seasonal employees, tax-exempt trusts and computation of qualifying revenue of amalgamated corporations. Other measures in Bill C-17 also include changes that allow for the potential extension of certain federal statutory deadlines.


Outstanding federal legislation

The following federal corporate tax measures have been announced, but have not been included in a bill and are not substantively enacted for IFRS or ASPE purposes, nor are they enacted for purposes of U.S. GAAP as of June 30, 2020.

Outstanding April 17, 2020 draft legislation

Finance released draft legislation on April 17, 2020 to provide several modifications and clarifications to the 25% Canadian Journalism Labour Tax Credit, enacted in June 2019. The proposed changes, which would apply retroactively to January 1, 2019, update the eligibility requirements for the credit, allow active partners of an eligible partnership to claim the credit, prorate the credit where an organization only qualifies for part of a taxation year and allow organizations that receive funding from Aid to Publishers to qualify, among other considerations. The measures in the draft legislation have not yet been included in a bill.

For details of these measures, see TaxNewsFlash-Canada 2020-43, “Canadian News Media — Labour Tax Credit Expanded”.

Outstanding 2019 federal budget tax legislation

The Liberal Party of Canada formed a minority government following the results of the 2019 federal election. The following measures were originally announced as part of the 2019 budget by the previous Liberal majority government and were issued as draft legislation, but have not yet been included in a bill.

Outstanding June 17, 2019 draft legislation

Finance released draft legislation on June 17, 2019 further to its 2019 federal budget proposal to institute a $200,000 annual cap for certain employment stock options that qualify for a stock option deduction. Under the proposed legislation, if an employee is not
entitled to the stock option deduction, then a qualifying employer may be able to claim a corporate tax deduction that equals the employee’s stock option benefit, where certain conditions are met. Originally, these rules were proposed to apply as of January 1, 2020, but Finance subsequently announced that this coming-into-force date would be delayed. Finance said in December 2019, that it will indicate how it will move forward with these rules and when they will apply at the 2020 federal budget. The date for the 2020 federal budget was postponed as a result of COVID-19, and a new date has not yet been announced.

For details of these measures, see TaxNewsFlash-Canada 2019-60, “New Stock Option Rules Delayed” and TaxNewsFlash-Canada 2019-29, “Finance Reveals More Details on Stock Option Deduction Cap”.

Outstanding July 30, 2019 draft legislation

Finance released draft legislation on July 30, 2019 to implement outstanding tax measures from the 2019 federal budget. The draft legislation also includes amendments to clarify the accelerated investment incentive for resource expenditures and depreciable property that were enacted in June 2019. The measures in the draft legislation have not yet been included in a bill.

The draft legislation includes corporate tax measures proposed in the 2019 budget regarding:

- Character conversion transactions
- Mutual funds — Allocation to redeemers methodology
- Foreign affiliate dumping
- Cross-border share lending arrangements
- Transfer pricing (ordering of rules and reassessment period).

For details of these measures, see TaxNewsFlash-Canada 2019-09, “2019 Federal Budget Highlights” and TaxNewsNow, "Finance Releases Draft Legislation for Budget Bill #2”.

Provincial tax legislation

Manitoba

<table>
<thead>
<tr>
<th>Manitoba Bills 34 and 35</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 19, 2020</td>
<td>Not Enacted</td>
</tr>
</tbody>
</table>

Manitoba Bills 34 and 35 include corporate tax measures announced in the province’s 2020 budget. These bills make changes to several existing tax credits, including measures to:

- Reduce the refundable portion of the Manufacturing Investment Tax Credit to 6% (from 7%) and make the credit permanent
• Enhance the Child Care Centre Development Tax Credit
• Enhance the Film and Video Production Tax Credit
• Extend the Mineral Exploration Tax Credit to December 31, 2023
• Extend the Industries Printing Tax Credit to December 31, 2021
• Extend the Community Enterprise Development Tax Credit to December 31, 2021.

For further details, see TaxNewsFlash-Canada 2020-20, “Highlights of the 2020 Manitoba Budget”.

**Nova Scotia**

<table>
<thead>
<tr>
<th>Nova Scotia Bill 243</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>March 3, 2020</td>
</tr>
</tbody>
</table>

Nova Scotia Bill 243 includes the corporate tax measures announced in the province’s 2020 budget. The bill decreases Nova Scotia’s general corporate income tax rate to 14% (from 16%) and the small business tax rate to 2.5% (from 3%), effective April 1, 2020.

This bill also extends the following Nova Scotia tax credits for five years:

• The Digital Media Tax Credit is extended to December 31, 2025 (from December 31, 2020)
• The Digital Animation Tax Credit is extended to December 31, 2025 (from June 30, 2020).

For further details, see TaxNewsFlash-Canada 2020-05, “Highlights of the 2020 Nova Scotia Budget”.

**Ontario**

<table>
<thead>
<tr>
<th>Ontario Bill 188</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date “substantively enacted” under ASPE/IFRS</td>
</tr>
<tr>
<td>March 25, 2020</td>
</tr>
</tbody>
</table>

Ontario Bill 188 introduces the new Regional Opportunities Investment Tax Credit announced in the province’s 2020 Economic and Fiscal Update. The new measure provides a 10% refundable corporate income tax credit for certain capital investments. The credit will apply to qualifying CCPCs that make eligible investments in specified regions of Ontario that become available for use on or after March 25, 2020.

For further details, see TaxNewsFlash-Canada 2020-30, “Highlights of Ontario’s 2020 Economic and Fiscal Update”.
Quebec Bill 42

<table>
<thead>
<tr>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 9, 2018 / November 7, 2019</td>
<td>Not enacted</td>
</tr>
</tbody>
</table>

Quebec Bill 42 contains measures previously announced in Quebec's 2019 budget and in various information bulletins published in 2017, 2018 and 2019. Quebec Bill 42 is still making its way through the Quebec legislature and has not yet received Assent. Therefore, the corporate tax measures in the bill are still not enacted for purposes of U.S. GAAP at June 30, 2020.

Quebec Bill 42 re-introduces additional CCA measures for certain eligible property acquired after March 28, 2017 or after March 27, 2018, which were originally included in former Quebec Bill 175 and were already substantively enacted. Former Quebec Bill 175 died on the order paper ahead of Quebec’s provincial general election on October 1, 2018, but these measures continue to be substantively enacted for purposes of IFRS and Accounting Standards for Private Enterprise (ASPE) as of May 9, 2018, the date former Quebec Bill 175 received first reading.

The re-introduced measures previously announced allow additional CCA of 35% or 60%. More specifically:

- A taxpayer may deduct an additional 35% CCA where certain property is acquired after March 28, 2017, but before March 28, 2018 (included in former Quebec Bill 175)
- A taxpayer may deduct an additional 60% CCA where certain property is acquired after March 27, 2018 (included in former Quebec Bill 175). Quebec Bill 42 further clarifies that the additional 60% CCA deduction only applies to property acquired:
  - Before December 4, 2018 or
  - Before July 1, 2019, if
    - The property was acquired pursuant to an obligation in writing entered into before 4 December 2018, or
    - The construction of the property, by or on behalf of the taxpayer, began before 4 December 2018.

For more details of the measures included former Quebec Bill 175, see TaxNewsNow, "Quebec Bill 175—Additional CCA and More".

Quebec Bill 42 also introduces the following corporate tax measures that were not included in former Quebec Bill 175, and that are substantively enacted on November 7, 2019, the date Quebec Bill 42 received first reading.
Quebec Bill 42 introduces an additional 30% CCA on certain depreciable property acquired after December 3, 2018 and indicates that a separate class will be created for all property subject to the additional 30% CCA (i.e., Class 43.1, 43.2, 50, 53, 14, 14.1 and 44).

Quebec Bill 42 introduces and amends several tax credits, including:

- A temporary enhancement of the refundable tax credit for investments relating to manufacturing and processing equipment
- A new refundable tax credit for small and medium-sized businesses to foster the retention of experienced workers
- Amendments to the refundable tax credit for reporting of tips.

Quebec Bill 42 includes corporate tax measures to:

- Reduce the capital investment threshold applicable to a large investment project carried out in a remote region, from $75,000,000 to $50,000,000, where the initial qualification certificate is filed after March 21, 2019
- Introduce the sustainable development certification allowance under the Mining Tax Act.

Quebec Bill 42 enacts harmonization measures that were announced in Information Bulletins published in 2017 and 2018, including those that:

- Reduce the small business limit for CCPCs with passive investment income above $50,000
- Allow switch fund corporations and segregated funds to reorganize on a tax-deferred basis, in certain circumstances
- Clarify the concept of “factual control”
- Extend the base erosion rules to foreign branches of life insurers
- Amend the dividend stop-loss rule on share repurchase transactions.

For details of the March 21, 2019 Quebec budget announcements, see TaxNewsFlash–Canada 2019-12, “Highlights of the 2019-2020 Quebec Budget”.

For more details of the measures included Quebec Bill 42, see TaxNewsNow, “Quebec Bill 42 Receives First Reading” and TaxNewsNow “Quebec Will Align with Federal Passive Income Regime”. 
Saskatchewan

<table>
<thead>
<tr>
<th>Saskatchewan Bills 209 and 210</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 17, 2020</td>
<td>Not Enacted as at June 30, 2020¹</td>
</tr>
</tbody>
</table>

¹Note, both of these bills received Royal Assent on July 3, 2020 and are enacted for U.S. GAAP purposes as of that date.

Saskatchewan’s Bills 209 and 210 implement corporate tax measures announced in the province’s 2020 budget. These bills introduce measures to:

- Extend the non-refundable Manufacturing and Processing Exporter Tax Incentive by three years to 2022 (from 2019) (Bill 210)
- Introduce a new Chemical Fertilizer Incentive in the form of a 15% tax credit (Bills 209 and 210).

For further details on Saskatchewan’s 2020 budget, see TaxNewsFlash-Canada 2020-56, “Highlights of Saskatchewan’s 2020 Budget”.

Yukon

<table>
<thead>
<tr>
<th>Yukon Bill 8</th>
<th>Date “substantively enacted” under ASPE/IFRS</th>
<th>Date “enacted” under U.S. GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 11, 2020</td>
<td>March 16, 2020</td>
</tr>
</tbody>
</table>

Yukon’s Bill 8 implements the reduction of the territory’s small business income tax rate to 0% (from 2%) effective January 1, 2021, as announced in the Yukon’s 2020 budget. This bill also renames the Yukon’s Small Business Investment Tax Credit as the Business Investment Tax Credit and expands the credit to cover certain medium sized businesses and allow for a larger amount of money to be raised under the program for each year, beginning in 2020.

For further details on Yukon’s 2020 budget, see TaxNewsNow, “Territorial 2020 Budget Round-Up”.

Outstanding provincial budget and other corporate income tax measures

The following provincial tax measures have been announced, but are not substantively enacted for IFRS or ASPE purposes, nor are they enacted for purposes of U.S. GAAP as of June 30, 2020.
**Alberta**

Alberta announced a reduction to the province’s general corporate income tax rate to 8% (from 10%) effective July 1, 2020. This reduction will effectively fast-track previously enacted corporate income tax rate reductions that were scheduled to reduce the general corporate income tax rate to 9% and 8%, on January 1, 2021 and January 1, 2022, respectively. Alberta also says it is introducing a new refundable tax credit that is intended for small companies to facilitate investment in research and development. These announcements are part of the province’s economic recovery plan, which was released on June 29, 2020. However, these new measures have not yet been introduced in a bill.

For further details on Alberta’s economic recovery plan, see *TaxNewsFlash-Canada* 2020-59, "Alberta Drops Corporate Tax Rate to 8% — Effective July 1".

**British Columbia**

British Columbia’s Bill 4 includes the corporate tax measures announced in the province’s 2020 budget to amend the production services tax credit and extend the training tax credits to the end of 2022 (from 2019). This bill received first reading on February 18, 2020 and second reading on June 23, 2020. However, these corporate income tax measures included in the bill are not considered substantively enacted until the bill passes third reading (as British Columbia has a minority government). As of June 30, 2020, the bill had not passed third reading.

For further details, see *TaxNewsFlash-Canada* 2020-04, "Highlights of the 2020 British Columbia Budget".

**Prince Edward Island**

Prince Edward Island’s Bill 58 introduces the province’s 2020 budget measure to reduce its small business corporate income tax rate to 2% (from 3%), effective January 1, 2021. The tax rate reduction is prorated for taxation years straddling January 1, 2021. However, this measure was not substantively enacted on June 30, 2020, and will not be considered substantively enacted until the bill passes third reading (as Prince Edward Island has a minority government). Bill 58 received first reading on July 3, 2020.

For details of the Prince Edward Island 2020 budget announcements, see *TaxNewsFlash-Canada* 2020-57, "Highlights of the 2020 P.E.I. Budget".

**Quebec 2020 budget**

Quebec has not yet tabled a bill to enact tax changes announced in the province’s 2020 budget, including measures to:

- Introduce a new refundable tax credit for investments and innovation
• Extend the time limit for submitting or amending applications for initial qualification certificates for Quebec’s tax holiday for large investment projects
• Introduce a new deduction for the commercialization of innovations in Quebec
• Eliminate the exclusion threshold for certain income tax credits for research and development
• Introduce a new non-refundable synergy capital tax credit for qualified investors that subscribe for shares of qualified corporations in certain sectors
• Introduce a new refundable tax credit for employer contributions in respect of persons with a severely limited capacity for employment
• Amend the Quebec film or television production refundable tax credit rules
• Raise the limit on labour expenditures eligible for the refundable tax credit for sound recordings
• Raise the limit of the qualified labour expenditures for the refundable tax credit for the production of performances
• Amend the eligibility requirement for the refundable tax credits for multimedia titles
• Amend the eligibility requirements for the tax credits for development of e-business
• Introduce three new entities which will be subject to compensation tax for financial institutions at specific rates
• Eliminate the deduction for innovative manufacturing corporations for corporations whose taxation year begins after December 31, 2020
• Eliminate the refundable tax credit relating to IT integration
• Eliminate the tax-free reserve for Quebec shipowners
• Extend the income-averaging mechanism for certified forest producers of private forests for a five-year period, and increase the carry-over period to ten years.

For details of all corporate tax measures announced in the Quebec 2020 budget, see TaxNewsFlash-Canada 2020-08, “Highlights of the 2020-2021 Quebec Budget”.

Quebec 2019 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province’s 2019 budget, including measures to:

• Harmonize with the federal measures from the 2018 federal Fall Economic Update to accelerate the deduction for Canadian development expenses and Canadian oil and gas property expenses.

For details of the Quebec 2019 budget announcements, see TaxNewsFlash-Canada 2019-12, “Highlights of the 2019-2020 Quebec Budget”.

Quebec 2018 budget

Quebec has not yet tabled a bill to enact certain tax changes announced in the province’s 2018 budget, including:
• International tax measures governing foreign affiliates
• Measures to prevent taxpayers from sustaining artificial losses using equity-based financial arrangements.

For details of the Quebec 2018 budget announcements, see TaxNewsFlash-Canada 2018-15, “Highlights of the 2018-2019 Quebec Budget”.

Quebec 2020 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province’s 2020 Information Bulletins 2020-2 and 2020-9. Information bulletin 2020-2 includes corporate tax changes to extend the provincial manufacturing and processing equipment tax credit to certain property acquired before January 1, 2021, among other measures.

Information bulletin 2020-9 announces a temporary adjustment to the calculation of remunerated hours for the small business deduction to mitigate the effects of temporary business suspensions due to the COVID-19 pandemic. Generally, Quebec’s small business deduction is only available to corporations if their employees were paid for at least 5,500 hours in the taxation year or if their employees and those of their associated corporations were paid for at least 5,500 hours in the previous taxation year, to a maximum of 40 hours a week per employee (excluding the hours paid to a subcontractor). Generally, a corporation’s small business deduction for Quebec purposes is reduced linearly, where the total number of hours is between 5,500 and 5,000 and reaches zero when the total hours do not exceed 5,000. Under the announced measures, where all or part of the period that begins on March 15, 2020 and ends on June 29, 2020 is included in a corporation’s taxation year, the number of remunerated hours determined in respect of the corporation’s employees, for the given year, will be deemed to be equal to the product obtained by multiplying the number of remunerated hours otherwise determined by the ratio of 365 to the number of days in the year in excess of the number of days in the period specified above.

For further details, see TaxNewsNow, "Quebec Extends M&P Equipment Tax Credit”.

Quebec 2019 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province’s 2019 Information Bulletins 2019-7, 2019-9 and 2019-11. Information bulletin 2019-7 includes corporate tax changes to harmonize with various federal corporate provisions proposed in the 2019 federal budget, among other measures. Quebec will harmonize with federal measures that relate to:

• New temporary enhanced first-year CCA of 100% for zero-emission vehicles (new Classes 54 and 55)
• Modification of the definition of “specified corporate income” to exclude income from sales of farming products or fishing catches of farming and fishing businesses to arm’s-length purchaser corporations
• Character conversion transactions
• Transfer pricing (ordering of rules and reassessment period)
• Foreign affiliate dumping amendments
• Modification of the allocation to redeemers methodology for mutual funds.

Information bulletins 2019-9 and 2019-11 also include provincial measures that:

• Introduce a new 35% refundable tax credit on qualified wages for print media companies, and expand the credit for 2019 only, so that certain subsidiaries may be considered as “eligible employees”
• Extend the eligibility for the refundable tax credit to support digital transformation of print media companies to December 31, 2023 (from December 31, 2022)
• Amend the refundable tax credits for the production of Multimedia titles
• Permit that any provision recorded in connection with the redemption of retractable or mandatory redeemable shares be included in the calculation of tax paid-up capital (regardless of financial statement presentation).

For further details, see TaxNewsNow, "Quebec Announces Tax Harmonization Measures with 2019 Federal Budget" and TaxNewsNow, "Quebec restricts Dividend Tax Credit and amends PUC".

Quebec 2018 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province’s 2018 Information Bulletins 2018-6 and 2018-9. The bulletins include tax changes to harmonize with various federal corporate tax provisions proposed in the 2018 federal budget and 2018 federal Fall Economic Update, among other measures.

The information bulletins include corporate tax measures to:

• Harmonize with the 2018 federal budget measures to:
  o Extend the accelerated CCA for certain investments in equipment for the generation and conservation of clean energy
  o Change the at-risk rules for tiered limited partnerships, such that the at-risk rules apply to a partnership that is itself a limited partner of another partnership
• Harmonize with federal measures announced in the 2018 federal Fall Economic Update to:
  o Allow businesses to write off 100% of eligible capital costs related to machinery and equipment used in manufacturing and processing and clean energy generation equipment in the year the assets are available for use (applicable to assets acquired after November 20, 2018, with a gradual
phase-out of the incentive for assets that become available for use after 2023 and before 2028)

- Introduce a new Accelerated Investment Incentive to allow businesses to claim up to three times the amount of the CCA that normally applies in the first year an asset becomes available for use on other assets (applicable to assets acquired after November 20, 2018, with a gradual phase-out of the incentive for assets that become available for use after 2023 and before 2028)
  - Allow businesses to qualify for a 100% CCA deduction in the first year where qualifying intellectual property and general-purpose electronic data processing equipment becomes available for use before 2024 (applicable to assets acquired after December 3, 2018).

For further details, see TaxNewsNow “Quebec Announces Tax Harmonization Measures”, and TaxNewsFlash-Canada 2018-52, "Highlights of the 2018 Quebec Fall Economic Update".

Quebec 2017 Information Bulletins

Quebec has not yet tabled a bill to enact certain corporate tax changes announced in the province’s 2017 Information Bulletin 2017-6. The bulletin includes tax changes to harmonize with various federal corporate tax provisions proposed in the 2017 federal budget, including measures to:

- Eliminate billed-basis accounting elections
- Introduce a new anti-avoidance rule to target straddle transactions that allow taxpayers to selectively realize gains and losses on derivatives
- Re-classify expenses renounced to flow-through share investors
- Make changes to investments in specified clean energy generation and conservation equipment under the CCA regime.

The bulletin also includes tax changes to harmonize with various proposed measures announced in the draft legislation released by Finance on September 16, 2016, including:

- Changes related to reverse takeovers of trusts or partnerships by a loss corporation
- New rules for banks and Federal Credit Union allocations to other provinces.

We can help

KPMG’s tax accounting and audit support professionals can help you assess the impact these changes in tax law will have on your organization’s financial statements. We can also help your organization understand and manage your obligations under the Canadian, U.S.
and international financial reporting standards for income tax accounts and disclosures. For details, contact your KPMG adviser.