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Tax Credit for the Construction or for the Conversion of a Vessel

Qualified corporation

Form CO-1029.8.36.55 must be completed for any corporation that wishes to claim the tax credit for the construction of a vessel or the tax credit for the conversion of a vessel, in respect of qualified expenditures incurred as part of a construction or conversion project. To be entitled to one or both of those tax credits, the corporation:

- must have an establishment in Québec and carry on a shipbuilding business in Québec;
- must not be exempt from income tax; and
- must not be a Crown corporation or a subsidiary controlled corporation of such a corporation.

Eligible vessel

The term “eligible vessel” refers to a vessel constructed or converted in Québec by the qualified corporation as part of a construction or conversion project in respect of which the Minister of Economy, Science and Innovation has issued a qualification certificate.

Eligible contract

The term “eligible contract” refers to a contract in respect of which the Minister of Economy, Science and Innovation has issued a qualification certificate and that the qualified corporation entered into with a subcontractor to have work related to the construction or conversion of an eligible vessel carried out in Québec for the corporation. The subcontractor may be either a person or a partnership.

Important information

- Complete a separate copy of form CO-1029.8.36.55 for each eligible vessel in respect of which the corporation is claiming a tax credit.
- Enclose all completed copies of form CO-1029.8.36.55 with the corporation income tax return (form CO-17, *Déclaration de revenus des sociétés*), along with a copy of the unrevoked qualification certificate issued by the Minister of Economy, Science and Innovation in respect of each eligible vessel. If, for any reason, you are unable to enclose the required documents with the return, you must send them to us **on or before** the later of:
 - the day that is 12 months after the filing deadline for the return for the taxation year concerned; and
 - the day that is three months after the day the qualification certificate required to obtain the tax credit was issued.¹
- If the corporation was required to make instalment payments for the taxation year covered by form CO-1029.8.36.55, the tax credit will be used to reduce the amount of those payments.
- For more information, refer to sections 1029.8.36.54 to 1029.8.36.58 of the *Taxation Act*.

1 Information about the corporation

Québec enterprise number (NEQ) Identification number File

01a [REDACTED] 01b [REDACTED] IC 0001

Name of corporation End date of fiscal period

02 [REDACTED] 05 [REDACTED]

Y Y Y Y M M D D

2 Information about the tax credit being claimed

Check the box on form CO-1029.8.36.55 that corresponds to the tax credit being claimed.

- 06 Tax credit for the construction of a vessel
- 07 Tax credit for the conversion of a vessel

3 Information about the eligible vessel

Check the box on form CO-1029.8.36.55 that corresponds to the eligible vessel.

- 08 Prototype vessel
- 09 First vessel constructed or converted as part of a production run
- 10 Second vessel constructed or converted as part of a production run
- 11 Third vessel constructed or converted as part of a production run

Number of the qualification certificate issued by the Minister of Economy, Science and Innovation in respect of the eligible vessel

11a [REDACTED]

Hull identification number

12 [REDACTED]

4 Information about the subcontractors

Complete Part 4 of form CO-1029.8.36.55 if, under an eligible contract, one or more subcontractors prepared, in whole or in part, plans and specifications for the corporation or carried out a portion of the construction or conversion of the vessel for the corporation. In other cases, go to Part 5.

If there is not enough space, enclose another copy of form CO-1029.8.36.55.

Name of subcontractor		QST identification number	
12a		12b	
Address		Postal code	Social insurance number
12c		12d	
Total consideration	Amount paid in the year		
12f	12g		

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13a		13b	
Address		Postal code	Social insurance number
13c		13d	
Total consideration	Amount paid in the year		
13f	13g		

5 Qualified construction or conversion expenditures

5.1 Construction or conversion expenditures

In the table in section 5.1 of form CO-1029.8.36.55, enter the cumulative expenditures incurred or paid² for the construction or conversion of the vessel from the moment work began until the end of the taxation year, regardless of whether the work was carried out over a number of years.

Break down the expenditures by entering them in the appropriate columns. In column A, enter the salaries or wages that the corporation incurred. In column B, enter the portion of the consideration attributable to salaries or wages that the corporation paid to a subcontractor **not** dealing at arm's length with the corporation. In column C, enter the portion of the consideration attributable to plans and specifications that the corporation paid to a subcontractor dealing at arm's length with the corporation. In column D, enter the portion of the consideration attributable to the construction or conversion of the vessel, as the case may be, that the corporation paid to a subcontractor dealing at arm's length with the corporation.

	A Corporation	B Non-arm's length subcontractor	C Arm's length subcontractor (plans and specifications)	D Arm's length subcontractor (construction or conversion of the vessel)
Salaries or wages incurred and consideration paid for plans and specifications				N/A
Salaries or wages incurred and consideration paid for the construction or conversion of the vessel			N/A	
Add lines 15 and 16.				
Assistance, ³ benefit or advantage ⁴ related to the amount on line 17				
Subtract line 18 from line 17.				
			× 20	50%
Multiply the amount in column D of line 19 by line 20.			= 21	
Add the amounts in columns A, B and C of line 19 and the amount on line 21.			Construction or conversion expenditures = 22	

5.2 Qualified construction or conversion expenditures

Construction or conversion expenditures (amount on line 22)		25	
Assistance, benefit or advantage that was repaid in the taxation year or a previous year and that reduced an expenditure in respect of which the tax credit may be claimed		26	
Add lines 25 and 26.		= 27	
Total tax credits received by the corporation for the vessel for previous years	28		
Applicable rate. If you checked box: <ul style="list-style-type: none"> • 08, enter 266.67%; • 09, enter 296.30%; • 10, enter 333.33%; or • 11, enter 380.95%. 	29	%	
Multiply line 28 by line 29.	=	30	
Apparent payment ⁵ related to the amount on line 25	+	31	
Add lines 30 and 31.	=	32	
Subtract line 32 from line 27.		=	33
Qualified construction or conversion expenditures			

6 Tax credit for the construction or for the conversion of a vessel

6.1 Qualified expenditures after application of the tax credit rate

Qualified construction or conversion expenditures (amount on line 33)		35	
Applicable rate. If you checked box: <ul style="list-style-type: none"> • 08, enter 37.5%; • 09, enter 33.75%; • 10, enter 30%; or • 11, enter 26.25%. 	36	%	
Multiply line 35 by line 36.		=	37
Qualified expenditures after application of the tax credit rate			

6.2 Construction or conversion cost after application of the limit related to that cost

Portion of the cost of construction or conversion of the vessel incurred by the end of the year		40	
Assistance, ⁶ benefit or advantage ⁷ related to the amount on line 40	+	41	
Apparent payment ⁸ related to the amount on line 40	+	42	
Add lines 41 and 42.	=	43	
Subtract line 43 from line 40.	=	44	
Assistance, benefit or advantage that was repaid in the taxation year or a previous year	+	45	
Add lines 44 and 45.		=	46
Construction or conversion cost			
Applicable rate. If you checked box: <ul style="list-style-type: none"> • 08, enter 18.75%; • 09, enter 16.875%; • 10, enter 15%; or • 11, enter 13.125%. 	47	%	
Multiply line 46 by line 47.	=	48	
Total tax credits received by the corporation for the vessel for previous years	-	49	
Subtract line 49 from line 48.		=	50
Construction or conversion cost after application of the limit related to that cost			

Enter the amount from line 37 or line 50, whichever is **less**. **Tax credit for the construction or for the conversion of a vessel** 51 **V**

Carry amount V to one of lines 440p through 440y of form CO-17, *Déclaration de revenus des sociétés*, and enter one of the following codes in the appropriate box: 14, if the tax credit is being claimed for the construction of a vessel, or 15, if the tax credit is being claimed for the conversion of a vessel.

Special tax

If, in a future taxation year, you realize that the corporation should not have received all or part of the tax credit, the corporation must, by means of a special tax, repay the excess amount received. When completing form CO-17 for the year in question, enter the excess amount and code 08 in the spaces provided on that form for that purpose. For more information, refer to sections 1129.45.1 to 1129.45.3 of the *Taxation Act*.

Notes

1. Where the prescribed form is sent to us within the time allowed (12 or three months, as the case may be) and the qualification certificate required to be able to claim the tax credit has been duly obtained from the Minister of Economy, Science and Innovation, the application for the tax credit will be accepted, even if the copy of the qualification certificate is sent to us after the time allowed for filing the prescribed form. However, your application will not be processed until we receive a copy of the qualification certificate. For more information, contact us.
2. Any amount incurred or paid in a particular taxation year in respect of work (or activities) to be carried out in a subsequent taxation year is deemed not to have been incurred or paid in the particular year. That amount will be taken into account in the year in which the work is carried out.
3. The term "assistance" refers to any government assistance and any non-government assistance that the corporation or a subcontractor related to the corporation received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the fiscal period covered by form CO-1029.8.36.55. The term does not include any amount received and repaid in the year in respect of which the tax credit is claimed. "Government assistance" and "non-government assistance" are defined in section 1029.6.0.0.1 of the *Taxation Act*.
4. The phrase "benefit or advantage" refers to any benefit or advantage that a person or a partnership obtained, is entitled to obtain or may reasonably expect to obtain, on or before the day that is six months after the end of the fiscal period covered by form CO-1029.8.36.55. The phrase does not refer to any amount received and repaid in the year in respect of which the tax credit is claimed. A benefit or advantage may be a reimbursement, compensation, guarantee or proceeds of disposition of property that exceed the fair market value of the property, or may be granted in any other form or manner.
5. An apparent payment attributable to construction or conversion expenditures is an amount that the qualified corporation or a person not dealing at arm's length with the corporation is entitled to receive or may reasonably expect to receive by the filing deadline for the corporation's return for the taxation year.

That amount is paid or payable—either for the use of premises, facilities or equipment, or for the provision of services—by a person or a partnership who or that, under the terms of a contract, carries out work or prepares plans and specifications for the corporation.

Such an amount may reasonably be considered to be included in the corporation's qualified construction or conversion expenditures.
6. See note 3.
7. See note 4.
8. An apparent payment attributable to the construction or conversion cost is an amount that the qualified corporation or a person not dealing at arm's length with the corporation is entitled to receive or may reasonably expect to receive by the filing deadline for the corporation's return for the taxation year.

That amount is paid or payable—either for the use of premises, facilities or equipment, or for the provision of services—by a person who, for the construction or conversion of the corporation's vessel, carries out work or prepares plans and specifications for the corporation.

Such an amount may reasonably be considered to be included in the corporation's qualified construction or conversion cost.

DO NOT COMPLY WITH THIS FORM