

Courtesy Translation

Corporations established in Québec are required to communicate with Revenu Québec in French. For this reason, Revenu Québec does not produce an English version of the forms to be used by corporations. However, Revenu Québec provides translations of the content of the forms for information purposes.

Tax Credit for an In-House Design Activity

Qualified corporation

Form CO-1029.8.36.7 must be filed by any qualified corporation that wishes to claim the tax credit for an in-house design activity. To qualify for the tax credit, the corporation:

- must not be exempt from income tax;
- must not be a Crown corporation or a subsidiary controlled corporation of such a corporation;
- must have an establishment in Québec and carry on a business in Québec that carries out eligible activities;
- must operate a business whose gross revenue is at least \$150,000 per year;¹ and
- must hold a certificate issued by the Minister of Economy, Science and Innovation (hereinafter the “Minister”) in respect of a design activity.

A corporation that is a member of a partnership that meets the aforementioned conditions can claim the tax credit as a member of a qualified partnership. In that case, enter the partnership’s information in parts 2, 3 and 4 of form CO-1029.8.36.7 and then determine the corporation’s share in Part 5.

Qualified wages

Qualified wages are wages incurred by the qualified corporation as part of a design activity in the period described in the certificate, in respect of a qualified designer or a qualified patternmaker, as applicable, who reports for work at an establishment of the qualified corporation situated in Québec.²

Qualified designer

The term “qualified designer” means an individual who holds a certificate of qualification issued by the Minister.

Qualified patternmaker

The term “qualified patternmaker” means an individual who holds a certificate of qualification issued by the Minister.

Important information

- Complete parts 2 and 3 on a separate copy of form CO-1029.8.36.7 for each qualified employee in respect of whom the corporation is claiming the tax credit. Complete parts 4, 5 and 6 on one copy of the form for all the qualified employees.
- If the qualified corporation is claiming the tax credit both as a corporation and as a member of a qualified partnership, the two claims cannot be made on the same copy of form CO-1029.8.36.7.
- Enclose all completed copies of form CO-1029.8.36.7 with the corporation income tax return (form CO-17, *Déclaration de revenus des sociétés*), along with a copy of every certificate issued by the Minister to the corporation, a qualified designer or a qualified patternmaker. All the required documents must be sent 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 certificate required to obtain the tax credit for that taxation year was issued.³
- If the corporation was required to make instalment payments for the taxation year covered by form CO-1029.8.36.7, this tax credit will be used to reduce the amount of those payments.
- For more information, refer to sections 1029.8.36.4 to 1029.8.36.26 of the *Taxation Act*.

1 Information about the corporation

01a Québec enterprise number (NEQ)
 01b Identification number File (**IC 0001**)
 02 Name of corporation
 05 End date of fiscal period (YYYYMMDD)

2 Qualified wages

Complete Part 2 on a separate copy of form CO-1029.8.36.7 for each qualified employee in respect of whom the corporation is claiming the tax credit.

2.1 Information about the employee

06 Name of employee
 06a Social insurance number
 Certificate of qualification issued to the employee by the Minister:
 07 Date of issue (YYYYMMDD)
 07a Certificate number
 Period covered by the certificate:
 07b from (YYYYMMDD)
 07c to (YYYYMMDD)
 Check the box that corresponds to the employee's occupation.
 08 Qualified designer
 09 Qualified patternmaker

2.2 Qualified wages

2.2.1 Wages incurred by the qualified corporation

10 Qualified wages⁴ that were incurred in the period covered by the certificate and paid to the qualified employee
 11 Assistance,⁵ benefit or advantage⁶ related to the amount on line 10
 12 Contract payment⁷ related to the amount on line 10
 13 Add lines 11 and 12.
 14 Subtract line 13 from line 10. **Wages incurred by the qualified corporation**

2.2.2 Annual limit

15 Annual limit. If you checked box:
 • 08, enter \$60,000; or
 • 09, enter \$40,000.
 16 Number of days during which the qualified designer or qualified patternmaker was an employee of the qualified corporation in the period covered by the certificate
 17 **365**
 18 Divide line 16 by line 17.
 19 Multiply line 15 by line 18. **Annual limit**

2.2.3 Qualified wages

20 Enter the amount from either line 14 or line 19, whichever is **less. Qualified wages**

S

3 Reduction of qualified wages that may give rise to more than one tax credit

Complete Part 3 of form CO-1029.8.36.7 if the corporation has been able to claim another tax credit in respect of a portion of the qualified wages that were incurred in the period covered by the certificate and paid to the qualified employee (line 10), or if a person or a member of a partnership other than the qualified corporation may be entitled to a tax credit in respect of all or a portion of the wages.

3.1 Wages that have given or may give rise to another tax credit

21	Portion of the amount on line 10 in respect of which the qualified corporation has been able to claim another tax credit ⁸
22	All or a portion of the amount on line 10 in respect of which a person or a member of a partnership other than the qualified corporation may be entitled to a tax credit ⁹
23	Add lines 21 and 22. Wages that have given or may give rise to another tax credit

3.2 Reduced qualified wages

25	$\frac{24a \text{ Amount on line 10} - 24b \text{ Amount on line 23}}{24d \text{ Amount on line 10}} \times 24c \text{ Amount S} \blacktriangleright$	Reduced qualified wages S.1
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4 Total qualified wages

Complete parts 4, 5 and 6 on one copy of form CO-1029.8.36.7 for all the qualified employees.

In the table in Part 4, enter the name of each qualified employee and amount S or amount S.1, as applicable, calculated for each of them. If there is not enough space, enclose another copy of form CO-1029.8.36.7.

	Name of employee	Amount S or amount S.1
28		
29		
30		
31		
32		
33		
34		
35		
36		
37		
38	Add the amounts on lines 28 through 37 of all completed copies of form CO-1029.8.36.7. Total qualified wages	A

5 Corporation that is a member of a partnership

Complete Part 5 of form CO-1029.8.36.7 only if the corporation is a member of a qualified partnership.

If the corporation is directly a member of the qualified partnership, enter the information about the partnership on line 45 and carry the corporation's percentage interest¹⁰ to line 46. Then complete lines 47 and 49.

If the corporation is a member of an interposed partnership that is a member of the qualified partnership, provide the required information about both partnerships on lines 44 and 45, respectively. If there is more than one interposed partnership, you must provide the required information for all of them. If there are more than three interposed partnerships, provide the information for each additional interposed partnership on another copy of form CO-1029.8.36.7. (All copies of form CO-1029.8.36.7 must be filed together.) Then complete lines 46, 47 and 49.¹¹

	A Name of partnership	B Québec enterprise number (NEQ)	C Identification number	D End date of fiscal period Y Y Y Y M M D D	E Percentage interest
44	1. Interposed partnership				%
	2. Interposed partnership				%
	3. Interposed partnership				%
45	Qualified partnership				%
46	Multiply the percentages in column E. If you have completed more than one copy of form CO-1029.8.36.7, multiply the percentage interests in all the interposed partnerships from each copy completed. Then multiply the result by the percentage interest in the qualified partnership. Corporation's percentage interest in the qualified partnership				%
47	Amount A calculated for the partnership				
49	Multiply line 46 by line 47. Corporation's share of the partnership's qualified expenditures				H

6 Tax credit for an in-house design activity

54	Qualified wages (amount A or amount H, as applicable)	
55	Maximum tax credit rate. Enter 24%.	%
56	Corporation's total assets ¹² for the previous taxation year. If the corporation is claiming the tax credit as a member of a partnership, enter the partnership's total assets for the previous fiscal period instead. ¹³	
57	Amount of assets in excess of which the rate reduction applies	50,000,000
58	Subtract line 57 from line 56. If the result is negative, enter 0.	
59	Tax credit rate. Enter 12%.	%
60	Multiply line 58 by line 59.	
61		250,000
62	Divide line 60 by line 61. Rate reduction	%
63	Subtract line 62 from line 55. If the result is less than 12%, enter 12%. Tax credit rate determined on the basis of the assets of the corporation or partnership	%
65	Multiply line 54 by line 63.	
68	Tax credit in respect of assistance, a benefit or an advantage that was repaid in the taxation year concerned and that is related to qualified expenditures of a previous taxation year ¹⁴	
69	Add lines 65 and 68. Carry amount V (or the total of amounts V) to one of lines 440p through 440y of form CO-17, <i>Déclaration de revenus des sociétés</i> , and enter code 17 in the appropriate box. Tax credit for an in-house design activity	V

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 06 in the spaces provided on that form for that purpose. For more information, refer to sections 1129.42 to 1129.45 of the *Taxation Act*.

Notes

1. If the qualified corporation's taxation year is less than 52 weeks, the \$150,000 threshold must be replaced by the amount obtained by multiplying \$150,000 by the proportion that the number of weeks in the taxation year is of 52.
2. An employee who reports for work primarily (more than 50% of the time) at an establishment outside Québec is deemed to report for work at that establishment only.
3. Where all copies of the prescribed form are sent to us within the time allowed (12 or three months, as the case may be) and every 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 such a 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 every certificate. For more information, contact us.
4. If at least 90% of the wages for the qualified designer or qualified patternmaker that were incurred and paid in the period covered by the certificate are attributable to the carrying out of the design activity or pattern drafting activity, the total wages are deemed to be attributable to the carrying out of the activity.
5. The term "assistance" refers to any government assistance and any non-government assistance that the qualified 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-1029.8.36.7. 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*. This concept, adapted as required, also applies to a partnership.
6. 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-1029.8.36.7. 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. This concept, adapted as required, also applies to a partnership.
7. The term "contract payment" means an amount that the qualified corporation received, is entitled to receive or may reasonably expect to receive, under a contract, from the Government of Canada or a provincial government, from a municipality or other Canadian public authority, or from a person exempt from income tax, on or before the day that is six months after the end of the fiscal period covered by form CO-1029.8.36.7. This concept, adapted as required, also applies to a partnership.
8. This is the portion of the wages paid to the qualified employee that is attributable to the period covered by the certificate and that relates to an eligible activity, pursuant to section 1029.6.0.1.2.3 of the *Taxation Act*.
9. This is all or a portion of the wages entered on line 10 that relates to an expenditure or costs paid to the qualified corporation by another person or a partnership under a contract and that may entitle that person or a member of that partnership to a tax credit. For more information, refer to sections 1029.6.0.1 and 1029.6.0.1.2.1 to 1029.6.0.1.2.3 of the *Taxation Act*.
10. The term "percentage interest" refers to the corporation's share of the partnership's income (or loss) for its fiscal period, divided by the partnership's income (or loss) for its fiscal period. If the partnership has no income or loss for its fiscal period, do the calculation as if the partnership had income of \$1,000,000.
11. If the corporation is a member of a qualified partnership through a number of groups of interposed partnerships, calculate the corporation's percentage interest in the qualified partnership separately for each such group, and complete form CO-1029.8.36.7 as follows:
 - On line 44 (columns A through E), enter the required information about all the interposed partnerships in each group.
 - On line 45 (columns A through D), enter the required information about the qualified partnership.
 - On line 46, enter the corporation's **total** percentage interest in the qualified partnership (the sum of the corporation's percentage interests in the qualified partnership, calculated for each group).
 - Complete lines 47 and 49.
12. The assets of any corporation that, in the taxation year, was associated with the corporation covered by form CO-1029.8.36.7 must be taken into account.

The total assets of any partnership or trust deemed to be associated with the corporation in the taxation year must also be taken into account.
13. In this context, the partnership is considered a corporation whose taxation year corresponds to the partnership's fiscal period and all of whose voting shares in the capital stock are owned by the members of the partnership, according to their percentage interests in the partnership.

To find out how to determine the partnership's assets, refer to note 12 (which explains how to determine a corporation's assets) and make the necessary adaptations.
14. To determine the amount to be entered on line 68 of form CO-1029.8.36.7 (where applicable), recalculate the tax credit for the previous year (amount V calculated for the previous year) as if the corporation never received, in the previous year, the assistance, benefit or advantage repaid in the year concerned. Thus, you must redo the tax credit calculations done on the copy of form CO-1029.8.36.7 completed for the previous taxation year. The amount to be entered corresponds to the amount by which the recalculated tax credit exceeds the tax credit for the previous year.