

Tax Credit for the Production of Sound Recordings

Qualified corporation

Form CO-1029.8.36.ES must be completed for any corporation that wishes to claim the tax credit for the production of sound recordings. To qualify for the tax credit, the corporation:

- in the taxation year concerned, must have an establishment in Québec and carry on therein a sound recording production business that is a record company recognized by the Société de développement des entreprises culturelles (SODEC) or a corporation that has entered into an agreement with such a record company;
- must not be exempt from income tax;
- must not be controlled, directly or indirectly in any manner whatever, in the taxation year concerned or in the 24 months preceding the year, by one or more persons not resident in Québec;
- must not be controlled directly or indirectly by one or more corporations that are exempt from income tax and whose mission is cultural; and
- must have obtained from SODEC either a favourable advance ruling or a qualification certificate for the qualified property in respect of which it is claiming the tax credit.

Qualified property

The term “qualified property” means a qualified sound recording, a qualified digital audiovisual recording or a qualified clip.

Labour expenditure

To qualify for the tax credit, a labour expenditure:

- must relate to services rendered in Québec;
- must relate to eligible production work;¹

- must have been incurred before the end of the taxation year concerned and before the completion date of the master of the qualified property (or later if the extended period is reasonable to the Minister and ends on or before the date that is 18 months after the end of the taxation year that includes the completion date of the master);² and
- must have been paid by the time the corporation claims the tax credit.

A labour expenditure incurred in a previous year may be considered a qualified expenditure for the taxation year concerned if the corporation filed with SODEC, in the year concerned, an application for an advance ruling or, failing that, an application for a qualification certificate. In such a case, the fact that the amount was paid in a previous year is not an issue.

Important information

- Complete a separate copy of form CO-1029.8.36.ES for each qualified property in respect of which the corporation is claiming the tax credit.
- Enclose all completed copies of form CO-1029.8.36.ES with the corporation income tax return (form CO-17, *Déclaration de revenus des sociétés*), along with a copy of either the favourable advance ruling given by SODEC or the qualification certificate SODEC issued in respect of each qualified property. 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 either the day the favourable advance ruling was given or, in the absence of such a ruling, the day the qualification 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.ES, this tax credit will be used to reduce the amount of those payments.
- For more information, refer to sections 1029.8.36.0.0.7 and 1029.8.36.0.0.8 of the *Taxation Act*.

1 Information about the corporation

Québec enterprise number (NEQ) 01a [REDACTED]	Identification number 01b [REDACTED]	File IC 0001	End date of fiscal period 05 [REDACTED] Y Y Y Y M M D D
Name of corporation 02 [REDACTED]			

2 Information about the qualified property

Type of property (Check the appropriate box on form CO-1029.8.36.ES.)

06 <input checked="" type="checkbox"/> Sound recording	07 <input checked="" type="checkbox"/> Digital audiovisual recording	08 <input checked="" type="checkbox"/> Clip
09 Title of the property [REDACTED]		
09a Number of the advance ruling given or the qualification certificate issued [REDACTED]		

Specify when the application for an advance ruling or for a qualification certificate was filed with SODEC.

12c	<input checked="" type="checkbox"/> The application for an advance ruling or for a qualification certificate was filed with SODEC before March 11, 2020.
12d	<input checked="" type="checkbox"/> The application for an advance ruling or for a qualification certificate was filed with SODEC after March 10, 2020.

3 Labour expenditures

Salaries or wages ⁴ paid to eligible employees ⁵ of the corporation		13		
Assistance, ⁶ benefit or advantage ⁷ related to the expenditure on line 13	-	14		
Subtract line 14 from line 13.	=			15
Other remuneration (subcontracting expenses) paid to:				
• an eligible individual ⁸		16		
Assistance, ⁹ benefit or advantage ¹⁰ related to the expenditure on line 16	-	17		
Subtract line 17 from line 16.	=			18
• a corporation with an establishment in Québec, all of whose capital stock is owned by an eligible individual		19		
Assistance, ¹¹ benefit or advantage ¹² related to the expenditure on line 19	-	20		
Subtract line 20 from line 19.	=			21
• a corporation with an establishment in Québec, other than a corporation described on line 19 ¹³		22		
Assistance, ¹⁴ benefit or advantage ¹⁵ related to the expenditure on line 22	-	23		
Subtract line 23 from line 22.	=			24
• a partnership with an establishment in Québec that carries on a business in Québec ¹⁶		25		
Assistance, ¹⁷ benefit or advantage ¹⁸ related to the expenditure on line 25	-	26		
Subtract line 26 from line 25.	=			27
Add lines 15, 18, 21, 24 and 27.				
Carry the result to line 30.				
			Labour expenditures =	28 A

4 Qualified labour expenditures

4.1 Qualified labour expenditures before application of the limit based on the cumulative production costs

Labour expenditures (amount A)				30
Assistance, benefit or advantage repaid (or deemed repaid) in the taxation year concerned and related to labour expenditures of a previous year	+			33 B
Total of amounts A shown on the copies of form CO-1029.8.36.ES completed for previous years		34		
Total of amounts B shown on the copies of form CO-1029.8.36.ES completed for previous years	+	35		
Add lines 34 and 35.	=	36		
Total of amounts C shown on the copies of form CO-1029.8.36.ES completed for previous years		37		
Special tax paid with respect to the amount on line 48		38		
Multiplication factor. Enter 2.8571 .	×	39		
Multiply line 38 by line 39.	=			44
Subtract line 44 from line 37.	=			45
Subtract line 45 from line 36.	=			46
Add lines 30, 33 and 46.	=			47
Assistance, benefit or advantage that relates to labour expenditures of a previous year but that did not reduce the expenditures ¹⁹	-			48
Subtract line 48 from line 47.	=			51
			Qualified labour expenditures before application of the limit based on the cumulative production costs	

4.2 Cumulative production costs

Cumulative production costs at the end of the previous year (amount on line 60 of the copy of form CO-1029.8.36.ES completed for the previous year)

52

Production costs directly attributable to the production of the qualified property in the taxation year concerned:

- production costs,²⁰ other than those entered on line 54, that were incurred before the end of the taxation year and paid in the year or by the time the corporation claims the tax credit
- portion of the depreciation of a particular property²¹

53

+ 54

Add lines 53 and 54.

=

+

55

Add lines 52 and 55.

=

56

Assistance, benefit or advantage related to the amount on line 55

57

Assistance, benefit or advantage that relates to costs of a previous year but that did not reduce the costs²²

+ 58

Add lines 57 and 58.

=

-

59

Subtract line 59 from line 56. Carry the result to line 63.

Cumulative production costs =

60

4.3 Limit based on the cumulative production costs

Cumulative production costs (amount on line 60)

63

If you checked box:

- 12c, enter 50%;
- 12d, enter 65%.

×

64

%

Multiply line 63 by line 64.

Overall limit based on the cumulative production costs =

65

Total of amounts C shown on the copies of form CO-1029.8.36.ES completed for previous years (amount on line 37)

66

Total amount of special tax paid for previous years

67

Multiplication factor (on line 39)

×

68

Multiply line 67 by line 68.

=

69

Subtract line 69 from line 66.

=

-

70

Subtract line 70 from line 65.

Limit based on the cumulative production costs =

71

Enter the amount from line 51 or line 71, whichever is less.

Carry the amount to line 75.

Qualified labour expenditures =

72

C

5 Tax credit

Qualified labour expenditures (amount C)

75

Tax credit rate. Enter **35%**.

×

77

Multiply line 75 by line 77. Carry amount V (or the total of amounts V) to one of lines 440p through 440y of form CO-17, *Déclaration de revenus des sociétés*, and enter code 42 in the appropriate box.

Tax credit =

90

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 29 in the spaces provided on that form for that purpose. For more information, refer to sections 1129.4.0.9 to 1129.4.0.12 of the *Taxation Act*.

Notes

1. The term “eligible production work” means the work carried out at certain stages of the production of the qualified property from the initial design to the production of the master, but does not include promotion, distribution or dissemination.

Work carried out at the pressing stage of the production of a sound recording or a digital audiovisual recording is eligible production work provided the costs are related to the pressing of the first 20,000 copies. The pressing stage includes the design of the cover, mastering and media duplication.

Work carried out at the authoring stage of the production of a digital audiovisual recording is also eligible production work. The authoring stage includes the encoding, assembly and addition of interactivity to the image, sound and other components that are to be digitized as well as ambiophonic sound production.

2. In the case of work carried out at the stage of pressing the qualified property, the expenditure must be incurred before the date that is 18 months after the release of the property.
3. Where the prescribed form is sent to us within the time allowed (12 or three months, as the case may be) and the favourable advance ruling or the qualification certificate required to be able to claim the tax credit has been duly obtained from SODEC, the application for the tax credit will be accepted, even if the copy of the favourable advance ruling or 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 either the favourable advance ruling or the qualification certificate. For more information, contact us.
4. Where, for a taxation year, the salary or wages paid to an employee (or a similar qualified expenditure) may qualify for more than one tax credit, certain restrictions apply. However, if only a portion of the salary or wages (or expenditure) is used to claim a tax credit, another portion thereof may be used to claim another tax credit under certain conditions. 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*.
5. The term “eligible employee” means an employee resident in Québec at any time in the calendar year in which the employee carries out eligible production work.
6. The term “assistance” refers to any government assistance and any non-government assistance that 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 taxation year covered by form CO-1029.8.36.ES. The term does not include any amount received and repaid in the taxation 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*.

Since the following forms of assistance do not constitute government assistance or non-government assistance, they do not reduce the labour expenditures or the production costs:

- the tax credit for the production of sound recordings;
- amounts received from the Conseil des arts et des lettres du Québec;
- amounts received from the Canada Council for the Arts;
- amounts received from SODEC;
- amounts received from the Department of Canadian Heritage;
- amounts received from Telefilm Canada out of the Canada Music Fund;
- amounts received from Fondation Musicaction or the Foundation Assisting Canadian Talent on Recordings;
- financial assistance granted by the Société des célébrations du 375^e anniversaire de Montréal.

7. The phrase “benefit or advantage” refers to any benefit or advantage that a person or 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 taxation year covered by form CO-1029.8.36.ES. The phrase does not refer to any amount received and repaid in the taxation 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.

8. The term “eligible individual” means an individual resident in Québec at any time in the calendar year in which the individual carries out eligible production work.

Enter on line 16 of form CO-1029.8.36.ES the remuneration paid, as part of the production of the qualified property, for services rendered by an eligible individual (a subcontractor), by eligible employees of such an individual or by another eligible individual who is an artist subject to the *Act respecting the professional status and conditions of engagement of performing, recording and film artists* and to whom the eligible individual paid such remuneration.

9. The term “assistance” refers to any government assistance and any non-government assistance that an eligible individual, a corporation or a partnership not dealing at arm’s length with 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 taxation year covered by form CO-1029.8.36.ES. The term does not include any amount received and repaid in the taxation 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*.

Since the following forms of assistance do not constitute government assistance or non-government assistance, they do not reduce the labour expenditures or the production costs:

- the tax credit for the production of sound recordings;
- amounts received from the Conseil des arts et des lettres du Québec;
- amounts received from the Canada Council for the Arts;
- amounts received from SODEC;
- amounts received from the Department of Canadian Heritage;
- amounts received from Telefilm Canada out of the Canada Music Fund;
- amounts received from Fondation Musicaction or the Foundation Assisting Canadian Talent on Recordings;
- financial assistance granted by the Société des célébrations du 375^e anniversaire de Montréal.

10. See note 7.

11. See note 9.

12. See note 7.

13. Enter on line 22 of form CO-1029.8.36.ES the remuneration paid, as part of the production of the qualified property, to a corporation with an establishment in Québec, other than a corporation described on line 19, for services rendered by eligible employees of that corporation or by an eligible individual who is an artist subject to the *Act respecting the professional status and conditions of engagement of performing, recording and film artists* and to whom the corporation paid such remuneration.

14. See note 9.

15. See note 7.

16. Enter on line 25 of form CO-1029.8.36.ES the remuneration paid, as part of the production of the qualified property, to a partnership that carries on a business in Québec, for services rendered by an eligible individual who is a member of the partnership, by eligible employees of that partnership or by an eligible individual who is an artist subject to the *Act respecting the professional status and conditions of engagement of performing, recording and film artists* and to whom the partnership paid such remuneration.
17. See note 9.
18. See note 7.
19. The amount on line 48 must include the amount on line 48 of all copies of form CO-1029.8.36.ES completed for previous years. It must correspond to the total of the following:
 - the assistance, benefit or advantage that was received in the year and relates to an expenditure for a previous year but that was not used to reduce that expenditure;
 - the assistance, benefit or advantage that was received in a previous year and relates to an expenditure for a year preceding that previous year but that was not used to reduce that expenditure.
20. Enter on line 53 of form CO-1029.8.36.ES the costs included in the production cost, cost or capital cost of the qualified property as well as the production fees and administration costs, to the extent that such costs and fees are reasonable.

Also, enter the amount of any assistance, benefit or advantage repaid (or deemed repaid) by the corporation in the taxation year concerned and related to the production costs of a previous year.
21. Enter on line 54 of form CO-1029.8.36.ES the portion of the depreciation of a particular property that relates to the corporation's use of the property in the year as part of the production of the qualified property.
22. The amount on line 58 must include the amount on line 58 of all copies of form CO-1029.8.36.ES completed for previous years. It must correspond to the total of the following:
 - the assistance, benefit or advantage that was received in the year and relates to costs for a previous year but that was not used to reduce those costs;
 - the assistance, benefit or advantage that was received in a previous year and relates to costs for a year preceding that previous year but that was not used to reduce those costs.