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Tax Credit for Production of Cellulosic Ethanol in Québec

Qualified corporation

Form CO-1029.8.36.OC must be completed for every qualified corporation producing cellulosic ethanol in Québec that wishes to claim a tax credit for its pre-April 1, 2023, eligible production of cellulosic ethanol. To qualify for the tax credit, the corporation:

- must, in the taxation year, have an establishment in Québec where it carries on a business engaged in the production of eligible cellulosic ethanol;¹
- must not be exempt from income tax for the year; and
- must not be a Crown corporation or a subsidiary controlled corporation of such a corporation.

A qualified corporation that is claiming the tax credit for production of cellulosic ethanol in Québec **cannot** claim the tax credit for investment in respect of property that is acquired after March 16, 2011, and used in the course of operating a cellulosic ethanol plant in Québec.

Furthermore, a corporation that filed an application with the Minister of Finance after March 27, 2018, for an initial qualification certificate relating to the tax holiday for large investment projects **cannot** claim the tax credit for production of cellulosic ethanol in Québec in respect of activities arising from the carrying out of its large investment project.

Eligible production of cellulosic ethanol

The eligible production of cellulosic ethanol for a particular month is equal to the total number of litres of cellulosic ethanol that corresponds to all of the corporation's shipments of eligible cellulosic ethanol² for that month.

For a particular month or part of a particular month before April 1, 2018, the corporation cannot claim the tax credit for production of cellulosic ethanol in Québec if the average monthly market price of ethanol³ is US\$3.1333 or more.

Important information

- Complete parts 2 and 3 on a separate copy of form CO-1029.8.36.OC for each month that is included in the taxation year and in respect of which the corporation is claiming the tax credit. Complete Part 4 on a single copy of the form for all such months.
- Complete form CO-1029.8.36.OD, *Entente concernant le crédit d'impôt pour production d'éthanol cellulosique au Québec*, and enclose it with form CO-1029.8.36.OC if the corporation is associated with at least one other corporation that qualifies for the tax credit.
- Enclose form CO-1029.8.36.OC with the corporation income tax return (form CO-17, *Déclaration de revenus des sociétés*), along with a report specifying, in respect of each month of the taxation year, the eligible production of cellulosic ethanol in Québec and, where applicable, the average monthly market price of ethanol used in determining the tax credit. If, for any reason, you are unable to enclose the required documents with the return, you must send them to us within 12 months after the filing deadline for the return for the year concerned.
- If the corporation was required to make instalment payments for the taxation year covered by form CO-1029.8.36.OC, this tax credit will be used to reduce the amount of those payments.
- For more information, refer to sections 1029.8.36.0.103 to 1029.8.36.0.106 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
						Y Y Y Y M M D D

2 Tax credit for a month included in the taxation year

Complete Part 2 of form CO-1029.8.36.OC for each month that is included in the taxation year and in respect of which you are claiming the tax credit for production of cellulosic ethanol in Québec.

Month
Y Y Y Y M M

Eligible production of cellulosic ethanol in the month or part of the month before April 1, 2018⁴

Maximum number of litres per day. If the corporation is **not** associated with another corporation that qualifies for the tax credit, enter 109,589. Otherwise, go directly to line 10 and enter the number of litres that have been allocated to the corporation for the month concerned, as shown in column D in section 3.1 of form CO-1029.8.36.OD.

Number of days in the month or part of the month before April 1, 2018

×

Multiply line 08 by line 09.

=

Enter the number from line 07 or line 10, whichever is **less**.

Applicable rate. Enter the tax credit rate calculated in Part 3.

×

Multiply line 11 by line 12.

=

Eligible production of cellulosic ethanol in the month or part of the month after March 31, 2018

Maximum number of litres per day. If the corporation is **not** associated with another corporation that qualifies for the tax credit, enter 821,917. Otherwise, go directly to line 17 and enter the number of litres that have been allocated to the corporation for the month concerned, as shown in column D in section 3.2 of form CO-1029.8.36.OD.

Number of days in the month or part of the month after March 31, 2018

×

Multiply line 15 by line 16.

=

Enter the number from line 14 or line 17, whichever is **less**.

Applicable rate

×

Multiply line 18 by line 19.

=

Add lines 13 and 20.

Tax credit for a month included in the taxation year =

3 Tax credit rate for a month or part of a month before April 1, 2018

Complete Part 3 of form CO-1029.8.36.OC if you entered a number on line 07 of the form.

Complete sections 3.1 and 3.2 if the average monthly market price of ethanol for the month is more than US\$2 and less than US\$3.1333. If it is US\$2 or less, complete only section 3.2. If it is US\$3.1333 or more, the corporation cannot claim the tax credit for that month.

Month
Y Y Y Y M M

3.1 Reduction of the maximum rate

If the average monthly market price of ethanol is US\$2.20 or less, complete only column A and carry the amount on line 28 to line 29. Otherwise, complete columns A and B.

Average monthly market price of ethanol. The amount in column A must be US\$2.20 or less. The amount in column B must be less than US\$3.1333.

–

Subtract line 25 from line 24.

=

Multiply line 26 by line 27.

×

=

Add the rates in columns A and B on line 28.

Reduction of the maximum rate

3.2 Tax credit rate

Maximum rate per litre

Reduction of the maximum rate (rate on line 29). If you did not complete section 3.1, enter 0.

–

Subtract line 32 from line 31. Carry the result to line 12.

Tax credit rate =

4 Tax credit for production of cellulosic ethanol in Québec

Complete Part 4 on a single copy of form CO-1029.8.36.OC for all the months included in the taxation year.

In the table in Part 4 of form CO-1029.8.36.OC, enter each month and amount C calculated for it.

Month		Amount C
		41
	+	42
	+	43
	+	44
	+	45
	+	46
	+	47
	+	48
	+	49
	+	50
	+	51
	+	52
Tax credit for production of cellulosic ethanol in Québec =		57
		V

Add lines 41 through 52. Carry amount V to one of lines 440p through 440y of form CO-17, *Déclaration de revenus des sociétés*, and enter code 90 in the appropriate box.

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Notes

1. The term "eligible cellulosic ethanol" refers to the ethyl alcohol with the chemical formula C_2H_5OH that is produced, after March 17, 2011, and before April 1, 2023, mainly using eligible renewable materials and exclusively by means of a thermochemical process, to be sold as a product to be blended directly with gasoline or as an input in the reformulation of gasoline or the production of ethyl tertiary-butyl ether.
2. The term "shipment of eligible cellulosic ethanol" refers to, in respect of a particular month, a shipment consisting of a number of litres of eligible cellulosic ethanol produced in Québec by a qualified corporation and sold in Québec to a holder of a collection officer's permit issued under the *Fuel Tax Act*. The holder of the permit must take possession of the shipment in the particular month and before April 1, 2023. In addition, the shipment must be destined for Québec.
3. The term "average monthly market price of ethanol" refers to the arithmetic average of the daily closing values on the Chicago Board of Trade of a U.S. gallon of ethanol, expressed in American dollars, for the month concerned.
4. The purchaser must have taken possession of the litres of cellulosic ethanol in order for them to be included in the corporation's eligible production for a particular month or part of a particular month. Therefore, where the purchaser takes possession after March 31, 2018, of litres of cellulosic ethanol produced before April 1, 2018, those litres should be included on line 14 of form CO-1029.8.36.OC instead of on line 07 of the form.

Eligible cellulosic ethanol is considered to be destined for Québec where the transport manifest issued to the purchaser on taking possession of the shipment of eligible cellulosic ethanol shows that the destination is Québec or, in a case in which the qualified corporation assumes the delivery of the eligible cellulosic ethanol to the purchaser, where the eligible cellulosic ethanol is delivered in Québec and the purchaser takes possession of it in Québec. Cellulosic ethanol produced by a qualified corporation is not considered to be an eligible production of cellulosic ethanol until the date on which the purchaser takes possession of it.

The rules under section 1029.8.36.0.104 of the *Taxation Act* apply in cases where ethanol from different production units is stored together.

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