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Tax Credit for Production of Ethanol in Québec

Qualified corporation

Form CO-1029.8.36.OL must be completed for every qualified corporation producing ethanol in Québec that wishes to claim a tax credit for its pre-April 1, 2023, eligible production of 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 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 ethanol in Québec **cannot** claim the tax credit for investment in respect of property used in the course of operating an 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 ethanol in Québec in respect of activities arising from the carrying out of its large investment project.

Eligible production of ethanol

The eligible production of ethanol for a particular month is equal to the total number of litres of ethanol that corresponds to all of the corporation's shipments of eligible 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 ethanol in Québec if the average monthly price of crude oil³ (AMPCO) is US\$64.65 or more.

Important information

- Complete parts 2 and 3 on a separate copy of form CO-1029.8.36.OL 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.OM, *Entente concernant le crédit d'impôt pour production d'éthanol au Québec*, and enclose it with form CO-1029.8.36.OL if the corporation is associated with at least one other corporation that qualifies for the tax credit.
- Enclose form CO-1029.8.36.OL 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 ethanol in Québec and, where applicable, the AMPCO 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.OL, this tax credit will be used to reduce the amount of those payments.
- For more information, refer to sections 1029.8.36.0.94 to 1029.8.36.0.102 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.OL for each month that is included in the taxation year and in respect of which you are claiming the tax credit for production of ethanol in Québec.

Month
Y Y Y Y M M

Eligible production of 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 345,205. 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.OM.

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 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.OM.

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

+ **C**

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.OL if you entered a number on line 07 of the form.

Complete sections 3.1 and 3.2 if the AMPCO for the month is more than US\$31 and less than US\$64.65. If it is US\$31 or less, complete only section 3.2. If it is US\$64.65 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 AMPCO is US\$43 or less, complete only column A and carry the amount on line 28 to line 29. Otherwise, complete columns A and B.

AMPCO. The amount in column A must be US\$43 or less. The amount in column B must be less than US\$64.65.

Subtract line 25 from line 24.

Multiply line 26 by line 27.

	A	B
<input type="text" value="24"/> <input type="text" value=""/>		
- <input type="text" value="25"/> <input type="text" value=""/>	31.00	43.00
= <input type="text" value="26"/> <input type="text" value=""/>		
× <input type="text" value="27"/> <input type="text" value=""/>	0.0082	0.004
= <input type="text" value="28"/> <input type="text" value=""/>		

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 ethanol in Québec

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

In the table in Part 4 of form CO-1029.8.36.OL, enter each month and amount C calculated for it. Then do the calculations on lines 53 through 57.

			Amount C
		41	
	+	42	
	+	43	
	+	44	
	+	45	
	+	46	
	+	47	
	+	48	
	+	49	
	+	50	
	+	51	
	+	52	
		Total amount	= 53
Assistance, ⁵ benefit or advantage ⁶ related to the amount on line 53			- 54
Subtract line 54 from line 53.			= 55
Assistance, benefit or advantage repaid by the corporation in the year and related to the tax credit of a previous year ⁷			+ 56
Add lines 55 and 56. Carry amount V to one of lines 440p through 440y of form CO-17, <i>Déclaration de revenus des sociétés</i> , and enter code 74 in the appropriate box.			Tax credit for production of ethanol in Québec = 57 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 66 in the spaces provided on that form for that purpose. For more information, refer to sections 1129.45.3.36 to 1129.45.3.39 of the *Taxation Act*.

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Notes

1. The term "eligible ethanol" refers to the ethyl alcohol with the chemical formula C_2H_5OH (other than eligible cellulosic ethanol) produced from renewable materials 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 ethanol" refers to, in respect of a particular month, a shipment consisting of a number of litres of eligible 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.

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

The rules under section 1029.8.36.0.94.1 of the *Taxation Act* apply in cases where ethanol from different production units is stored together.
3. The term "average monthly price of crude oil" refers to the arithmetic average of the daily closing values on the New York Mercantile Exchange (NYMEX) of the price per barrel of West Texas Intermediate in Oklahoma in the United States (WTI-Cushing), expressed in American dollars, for the month concerned.
4. The purchaser must have taken possession of the litres of 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 ethanol produced before April 1, 2018, those litres should be included on line 14 of form CO-1029.8.36.OL instead of on line 07 of the form.
5. 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 fiscal period covered by form CO-1029.8.36.OL. 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*.

For purposes of the tax credit, the following forms of assistance do not constitute government assistance or non-government assistance:
 - assistance attributable to a specific grain price stabilization program negotiated with La Financière agricole du Québec;
 - assistance attributable to a workforce training program;
 - federal government assistance that is directly attributable to the ethanol industry segment and that concerns, in particular, market expansion, process improvement, energy efficiency and change in raw materials; or
 - assistance attributable to the program supporting the improvement of first-generation fuel ethanol production efficiency.
6. The phrase "benefit or advantage" refers to any benefit or advantage that the corporation or a subcontractor 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.OL. 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.
7. To determine the amount to be entered on line 56 of form CO-1029.8.36.OL (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.OL 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.