

May 16, 2011

INTRODUCTION OF A TAX CREDIT FOR THE PRODUCTION OF CELLULOSIC ETHANOL

Eligible corporations that produce eligible cellulosic ethanol in Québec may receive, for their eligible production of cellulosic ethanol, a refundable tax credit of up to \$0.15 per litre.

The expression "eligible corporation" means any corporation, other than an excluded corporation, that, during a taxation year, has an establishment in Québec where it carries on an eligible cellulosic ethanol production business.

The expression "eligible cellulosic ethanol" means ethanol (that is, ethyl alcohol with the chemical formula C_2H_5OH) that is produced in Québec from eligible renewable materials exclusively by means of a thermochemical process and sold either as a product to be mixed directly with gasoline or as an input in the reformulation of gasoline or the production of ethyl tertiary-butyl ether (ETBE). Such cellulosic ethanol must be produced after March 17, 2011, and before April 1, 2018.

The expression "eligible cellulosic ethanol production" means, for a given period, the number of litres of eligible cellulosic ethanol that an eligible corporation both

- produces in Québec, **and**
- sells in Québec during the period to a holder of a collection officer's permit issued under the *Fuel Tax Act* and that, as such, is cellulosic ethanol intended for Québec.

Eligible cellulosic ethanol produced by an eligible corporation is not considered eligible cellulosic ethanol production until the date the acquirer takes possession of it.

The tax credit an eligible corporation may claim for a taxation year is determined by multiplying, for each month in the taxation year, the corporation's eligible cellulosic ethanol production for that month, expressed in litres, by an amount that varies based on the monthly average market price of ethanol. The maximum rate of the tax credit, for a given month, is \$0.15 per litre. No tax credit will be granted for a month in which the monthly average market price of ethanol is equal to or greater than US\$3.13333 per American gallon.

For a given taxation year, the refundable tax credit may be granted on the eligible cellulosic ethanol production of an eligible corporation, up until such production exceeds a maximum of 40 million litres. A monthly cellulosic ethanol production ceiling applies.

For further information, refer to page J.13 of the 2011-2012 Budget Plan, published by the Ministère des Finances.