

Provincial Budget 2025: Major Changes to the Tax Credit for the Development of E-Business (TCEB)

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In this bulletin, we will be discussing the TCEB as part of our series on the 2025 Quebec budget and corporate taxation. This particular tax credit aims to boost innovation and competitiveness in the digital marketplace by providing strategic tax assistance to businesses specializing in information and communication technologies. It was introduced to spur the growth of Quebec's technology sectors through tax incentives granted to companies developing or integrating e-business solutions.

Before the 2025 Quebec budget reform, the TCEB comprised a 24% refundable tax credit, coupled with a 6% non-refundable tax credit. In 2024, the government began adjusting TCEB rates as part of the updated economic priorities, gradually reducing the refundable credit to 20% by 2028 and increasing the non-refundable credit to 10%.

New adjustments were announced in the 2025 provincial budget to ensure that the incentives align more closely with the changing technological landscape, in particular by shifting the focus to the integration of recent emerging technologies, such as artificial intelligence (AI) and data processing and hosting.

The new rules provide that only activities that incorporate artificial intelligence functionalities in a significant way will be eligible for the TCEB going forward. In addition, data processing and hosting services (NAICS 51821) have been added to the list of eligible activities, which shows the increasingly important role they play in today's technological landscape. However, activities aimed at maintaining or upgrading information systems and technological infrastructure have been removed from the list, refocusing the program on cutting-edge technologies.

Businesses engaged in inter-company outsourcing, mainly with subsidiaries of foreign companies, are particularly affected by the changes, in that credit rates will be reduced by half if the proportion of such outsourcing reaches 50% or more. The idea is to encourage those businesses to contribute more directly to the local economy and technological innovation in Quebec.

The changes will apply to tax years beginning after December 31, 2025, but companies have the option of electing to apply them to tax years beginning after the budget presentation, provided the election is made before the end of the ninth month following the deadline by which they are required to file their tax returns.

Read our first bulletin on the 2025 provincial budget titled ["Provincial Budget 2025: New Refundable Tax Credit for Research, Innovation and Commercialization \(CRIC\)"](#)