



## Highlights

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# Budget Quebec 2019-2020

## Summary for Investors

2019-03-21

## Individuals

### 1. Gradual Elimination of the Additional Contribution for Childcare

The daily rate for subsidized childcare consists of:

- a basic contribution of \$8.25 payable to the childcare service;
- an additional contribution payable when parents file their income tax return.

The amount of the contribution ranges from \$0.70 to \$13.90 based on family income, for a daily rate of between \$8.95 and \$22.15. The additional contribution of \$0.70 per day is payable by families with an income of \$52,220 to \$78,320. For contributors whose family income is greater than \$78,320, the additional contribution is gradually increased, reaching \$13.90 for a family income of \$166,320.

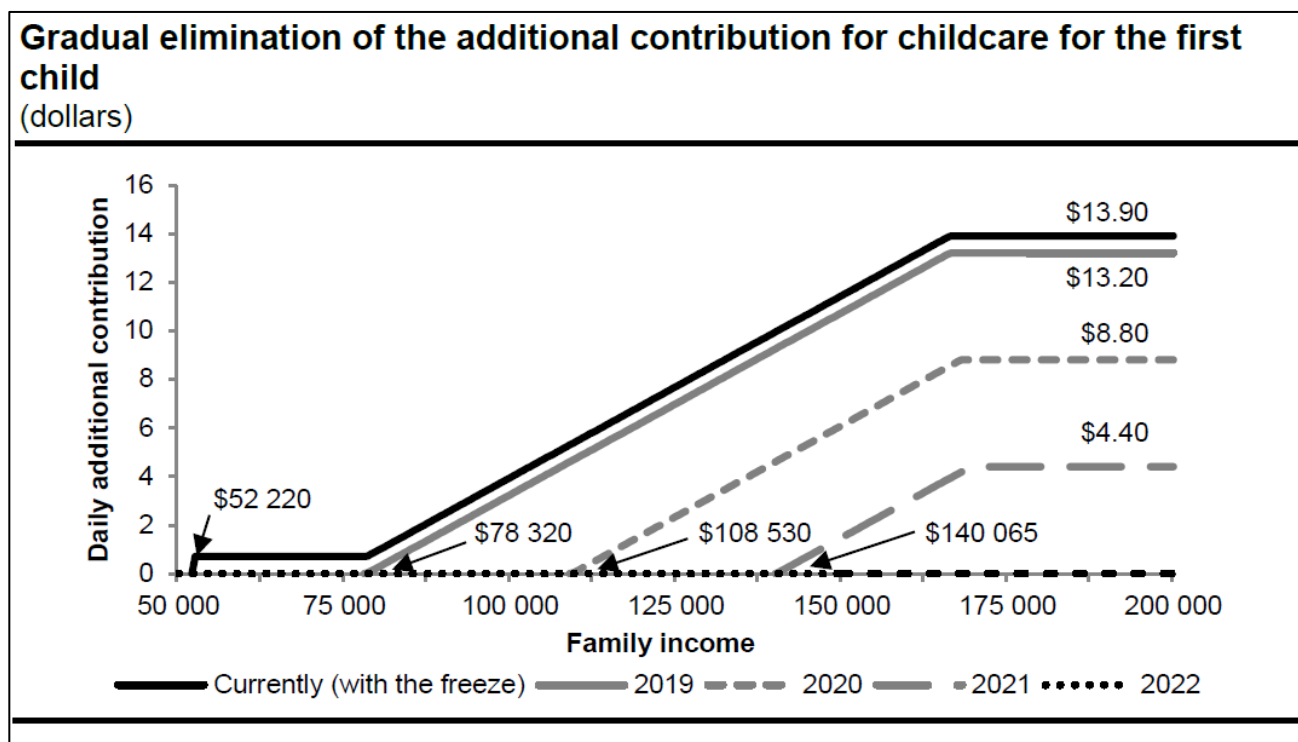
The additional contribution is reduced by half for the second child and is not payable in respect of the third child and subsequent children.

Starting in 2019, the minimum and maximum additional contributions for a subsidized childcare service will be reduced by \$0.70 per day, thereby eliminating the bottom rate bracket for the contribution. Therefore, families with an income below \$78,320 will no longer pay the additional contribution and families with an income above this amount will pay a lower contribution (maximum additional contribution of \$13.20).

In 2020, the income level above which families will have to pay the additional contribution will be raised to \$108,530 and the maximum additional contribution will be reduced to \$8.80 a day.

In 2021, the exemption threshold will rise to \$140,065 and the maximum additional contribution will be \$4.40 a day.

In 2022, no families will have to pay the additional contribution.



## 2. Gradual Standardization of School Tax Rates

The government announced that the school tax system would be reformed to gradually establish a single tax rate applicable across Quebec. The single rate will be based on the lowest effective rate in 2018-2019.

Consequently, the government will transfer \$200 million to school boards in 2019-2020 to compensate them for the reduction in their school tax revenues.

For subsequent years, the government will determine, during each budget exercise, the additional funding needed to gradually establish a single school tax rate.

### **Illustration of the decrease in the school tax in the case of a home assessed at \$270 000<sup>(1)</sup>** (dollars)

	Current		Single rate – Upon full implementation		Difference
	Tax rate <sup>(2)</sup>	School tax <sup>(3)</sup>	Tax rate <sup>(2),(4)</sup>	School tax <sup>(3)</sup>	
Bas-Saint-Laurent	0.26107	640	0.10540	258	-382
Saguenay–Lac-Saint-Jean	0.30932	758	0.10540	258	-500
Capitale-Nationale	0.13360	327	0.10540	258	-69
Mauricie	0.30932	758	0.10540	258	-500
Estrie	0.18434	452	0.10540	258	-194
Montréal	0.17832	437	0.10540	258	-179
Outaouais	0.13694	336	0.10540	258	-78
Abitibi-Témiscamingue	0.13694	336	0.10540	258	-78
Côte-Nord	0.23901	586	0.10540	258	-328
Nord-du-Québec	0.30551	748	0.10540	258	-490
Gaspésie	0.28500	698	0.10540	258	-440
Îles-de-la-Madeleine	0.28420	696	0.10540	258	-438
Chaudière-Appalaches	0.22586	553	0.10540	258	-295
Laval	0.23095	566	0.10540	258	-308
Lanaudière	0.27072	663	0.10540	258	-405
Laurentides <sup>(5)</sup>	0.10540	258	0.10540	258	—
Montérégie	0.17832	437	0.10540	258	-179
Centre-du-Québec	0.29640	726	0.10540	258	-468

(1) According to data compiled by the Institut de la statistique du Québec, the average value of a single-family home in Québec in 2018 was \$269 697. Statistics are available in the Databank of Official Statistics on Québec.

(2) Rate per \$100 of adjusted standardized assessment.

(3) The school tax payable includes the basic exemption for the first \$25 000 of the adjusted standardized assessment.

(4) The single tax rate corresponds to the lowest effective rate in Québec in 2018-2019, that is, the rate in the Laurentides region.

(5) Taxpayers in the Laurentides region already pay the lowest school tax rate in Québec.

### 3. Drive Green Program

Budget 2019-2020 includes the following initiatives in respect of the Drive Green program:

- funding for rebates on the purchase of new electric vehicles in 2019-2020 and 2020-2021;
- broadening of the program to include used all-electric vehicles;
- a review, starting in 2020-2021, of the maximum value of vehicles giving entitlement to a rebate;
- increase in the funding for workplace charging stations.

#### **Review of the eligibility requirements for the maximum rebate under the Drive Green program**

(dollars)

Manufacturer's suggested retail price	New vehicles		Used vehicles	
	2019-2020	2020-2021	2019-2020	2020-2021
Under \$60 000	8 000	8 000	4 000	4 000
\$60 000 to \$75 000	8 000	—	4 000	—
\$75 000 to \$125 000 <sup>(1)</sup>	3 000	—	1 500	—
\$125 000 and over	—	—	—	—

(1) Rebates do not apply to hybrid rechargeable vehicles.

### 4. Vision Care for Children 17 and Under

The government pledged to reimburse a portion of the cost of glasses and contact lenses for children 17 and under. Costs will be reimbursed, up to \$250 per 24 months, by the *Régie de l'assurance maladie du Québec*. This more inclusive coverage will take effect in September 2019.

Budget 2019-2020 invests an additional \$36 million per year as of 2020-2021 to extend the vision care coverage for young people.

### 5. Increase in the Exemption for Support Payments in Respect of Dependent Children

Households that receive income from child support payments may see their benefit amount decrease or be deemed ineligible for the program because such income is added to the household's other income sources. Government programs already exclude a portion of the income from child support payments for the purpose of calculating eligible income. Budget 2019-2020 proposes to increase this exemption.

### 6. Enhancement of the Tax Credit for Experienced Workers

To encourage experienced workers to remain in, or to re-enter, the labour market, the tax system grants workers aged 61 or more a tax credit that allows them to eliminate the income tax payable on a portion of their eligible work income that exceeds the first \$5,000.

As of the 2019 taxation year, the Tax Credit for Experienced Workers will be renamed the Tax Credit for Career Extension. In addition, changes will also be made to the tax credit as of the 2019 taxation year:

- the age of eligibility for the tax credit will be lowered from 61 to 60;
- the ceiling on excess work income eligible for the tax credit will be raised to \$10,000 for workers aged 60 to 64.

The higher ceilings on excess work income will mean an additional tax cut, for workers aged 60 to 64, of up to between \$150 and \$1,500, based on the taxpayer's age.

**Parameters of the increase in the ceiling on excess work income based on age – 2019**  
(dollars)

Age of worker	Amount before increase	Amount after increase	Increase	Maximum tax cut <sup>(1)</sup>
60	—	10 000	10 000	1 500
61	3 000	10 000	7 000	1 050
62	5 000	10 000	5 000	750
63	7 000	10 000	3 000	450
64	9 000	10 000	1 000	150
65 and over	11 000	11 000	—	—

(1) The maximum additional tax cut is obtained by applying the tax credit rate of 15% to the amount of the increase.

## Businesses

### 1. Reducing Payroll Taxes to Foster the Retention of Experienced Workers

To encourage experienced workers to extend their career, businesses may have to adapt their working conditions to offer them greater flexibility in terms of the organization of work and to offer training to meet the needs of these workers, among other things.

The reduction of payroll taxes to encourage the retention of experienced workers, which will take the form of a refund, will be offered to small- and medium-sized businesses in all sectors. This will apply to Quebec payroll taxes for workers aged 60 and over.

Eligible businesses will be able to benefit from a tax credit relating to payroll taxes of:

- 50% for workers aged 60 to 64, up to a maximum of \$1,250 per worker;
- 75% for workers aged 65 and over, up to a maximum of \$1,875 per worker.

#### Main parameters of the reduction of payroll taxes to foster the retention of experienced workers

<b>Eligible employers</b>	Corporations that meet the main conditions for eligibility for the small business deduction
<b>Eligible employees</b>	Employees aged 60 and over subject to Québec payroll taxes
<b>Eligible payroll taxes</b>	Québec contributions <sup>(1)</sup> paid by businesses
<b>Maximum rate of payroll taxes reduction<sup>(2)</sup></b>	50% for workers aged 60 to 64 75% for workers aged 65 and over
<b>Maximum payroll taxes reduction</b>	\$1 250 for workers aged 60 to 64 \$1 875 for workers aged 65 and over

(1) Contributions to the Health Services Fund, the Québec Pension Plan, the Québec Parental Insurance Plan and the Commission des normes, de l'équité, de la santé et de la sécurité du travail.

(2) The rate will be reduced linearly for a total payroll between \$1 million and the threshold for the reduced rates of employer contribution to the Health Services Fund.

### 2. Enhancing Investissement Québec's Capitalization

Investissement Québec's operations are financed with its own equity as well as available amounts from the Economic Development Fund and the Mining and Hydrocarbon Capital Fund.

To increase the amounts made available to Investissement Québec, Budget 2019-2020 provides for a \$1 billion increase in its capital stock, bringing it from \$4 billion to \$5 billion. This enhancement will allow Investissement Québec to use its own equity to increase its transactions with businesses, particularly loans and equity participation.

### 3. Changes to Certain Measures Respecting Tips

Changes include:

- new eligible expenses for the purposes of the refundable tax credit for the reporting of tips;
- easing of the penalty for failure to attribute an amount as a tip.

### 4. Enhancing the Tax Holiday for Large Investment Projects in the Regions

Budget 2019-2020 provides for the enhancement of the tax holiday for large investment projects to support businesses in carrying out major projects in the regions. Thus, the investment threshold for qualification purposes of an investment project carried out in a region will be reduced from \$75 million to \$50 million.

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## Other Measures

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### 1. Tax Fairness

To counter tax evasion and abusive tax avoidance, the government will be implementing measures to:

**1. Strengthen the mandatory disclosure mechanism and improve the rules governing the use of nominees:**

A mandatory disclosure mechanism has been in place since 2009 to ensure that certain transactions resulting, directly or indirectly, in a tax benefit or that have an appreciable impact on a taxpayers' income are reported to Revenu Québec.

Furthermore, the government is concerned about the fact that, in some instances, the use of a nominee contract could breach the integrity of the tax system.

The government intends to amend the tax legislation to strengthen the mandatory disclosure mechanism and improve the rules governing the use of nominee contracts. The amendments will be announced at a later date.

**2. Increasing tax compliance in respect of transactions on financial markets:**

Whereas hundreds of thousands of Quebec taxpayers are active investors, there is inconsistency in the information security dealers and brokers provide to investors. This causes problems with tax compliance in respect of transactions on financial markets.

Therefore, *Revenu Québec* will establish, in cooperation with the sector, a new tax slip that will make it easier to report financial market transactions.

### 2. Combatting Fraud, Money Laundering and the Funding of Criminal Activities

To more effectively combat fraud, money laundering and the funding of criminal activities, as well as tax evasion and abusive tax avoidance, the government will put measures in place to:

- strengthen corporate transparency;
- more effectively combat fraud against the government;
- entrust administration of the *Money-Services Businesses Act* to *Revenu Québec*.

Over five years, \$14 million will be allocated to implement these measures.

### 3. Use of the Generations Fund to Repay the Debt

As announced by the government in the Fall 2018 Update, \$10 billion over two years is being used from the Generations Fund (\$8 billion in 2018-2019 and \$2 billion in 2019-2020) to reduce Quebec's debt on financial markets and lower the government's interest charges.

### 4. Tax on Lodging for Persons Operating a Digital Platform Offering Accommodation Units

To ensure greater fairness among the various stakeholders in this industry, further changes will be made to the tax on lodging system, so that a person operating a digital accommodation platform will henceforth be required to register with *Revenu Québec* for the purposes of collecting and remitting the tax on lodging.