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Quebec Budget 2022-2023

Summary for Investors

March 22, 2022



Individuals

1. Introduction of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living

On November 25, 2021, the government introduced a refundable tax credit granting an exceptional allowance to mitigate the significant increase in the cost of living that occurred at the end of 2021.

This tax assistance was paid at the beginning of 2022 to low- and middle-income households based on their eligibility for the refundable solidarity tax credit at the end of the reference year 2020, that is, households receiving this tax credit for the payment period beginning on July 1, 2021, and ending on June 30, 2022.

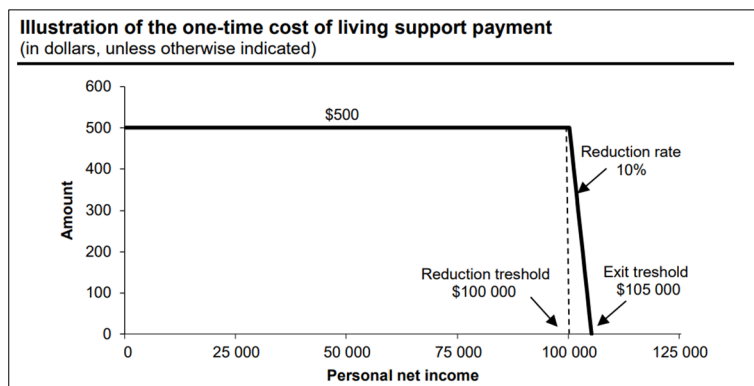
Therefore, in order to support Québec taxpayers facing this persistent increase in the cost of living, additional tax assistance, called the “refundable tax credit granting a one-time amount to mitigate the increase in the cost of living” will be introduced.

The amount of this financial assistance will be granted in a single instalment in the next quarter.

In summary, an eligible individual will be entitled, in the 2022 calendar year, to the payment of an amount of up to \$500 in respect of a refundable tax credit granting a one-time amount to mitigate the increase in the cost of living. This amount will be reducible on individual net income in excess of \$100 000 for the 2021 calendar year. This lump-sum assistance will be provided to all eligible adults who have filed their income tax return for the 2021 calendar year with Revenu Québec.

Where the individual’s personal net income for the 2021 calendar year exceeds \$100 000, but does not exceed \$105 000, the one-time \$500 amount will be reduced based on a 10% rate applicable to the amount by which the individual’s personal net income for the 2021 calendar year exceeds \$100 000.

An individual who is eligible for the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living will receive the amount of the one-time tax assistance without having to apply for it, provided that the individual has filed his or her income tax return for the 2021 calendar year with Revenu Québec. Therefore, as of March 23, 2022, Revenu Québec will process income tax returns for the 2021 calendar year by adding the refundable tax credit. Where, on the date of the budget speech, the notice of assessment for the 2021 calendar year has already been issued to an individual by Revenu Québec, a new notice of assessment for the 2021 calendar year will be sent to the individual to include the refundable tax credit.



An eligible individual:

- the individual was at least 18 years old, or an emancipated minor, or a minor who is the father or mother of a child with whom he or she resides;
- the individual was residing in Québec;

- the individual had one of the following statuses:
 - a Canadian citizen,
 - a permanent resident within the meaning of the Immigration and Refugee Protection Act,
 - a temporary resident or temporary resident permit holder within the meaning of the Immigration and Refugee Protection Act who has resided in Canada for the 18-month period preceding that time,
 - a protected person within the meaning of the Immigration and Refugee Protection Act,
 - a person on whom refugee protection is conferred in Canada by the competent Canadian authority in accordance with the Immigration and Refugee Protection Act,
 - the individual was not an excluded individual.

An excluded individual includes a person who is exempt from tax and a person who is detained in a prison or similar institution.

2. Extension of the *Roulez vert* program

The *Roulez vert* program provides rebates for the purchase of several types of electric vehicles, as well as for the purchase and installation of charging stations at home, at work and in multi-unit buildings.

The government plans to fund the program for the period 2022-2023 to 2026-2027.

The maximum rebate granted for the acquisition of electric vehicles under the *Roulez vert* program will be, as of April 1, 2022:

- \$7 000 for new fully electric vehicles;
- \$5 000 for new plug-in hybrid vehicles;
- \$3 500 for used fully electric vehicles.

For the period after fiscal year 2022-2023, details on the parameters of the electric vehicle rebates will be announced at a later date.

As a reminder, the maximum rebate before April 1, 2022, is limited to vehicles whose MSRP is less than \$60,000. This rebate is actually:

- \$8 000 for new fully electric vehicles
- \$500, \$4 000, or \$8 000 for new plug-in hybrid vehicles based on the capacity of the battery
- \$4 000\$ for used fully electric vehicles.

3. Investing in education and higher education

In Budget 2022-2023, the government is providing an additional amount of more than \$2.8 billion over five years to invest in education and higher education.

The Budget provides among other things to make higher education more accessible by enhancing the student financial assistance program by:

- reducing the contribution of parents or spouse;
- enhancing the exemption for child support payments;
- reducing the debt for student parents as of 2023-2024.

The government also plans to eliminate interest on student loans for an additional year, in 2022-2023. To that effect, the Minister of Higher Education will propose amending the Regulation respecting financial assistance for education expenses (CQLR, chapter A-13.3, r. 1) so that individuals required to repay amounts obtained under student financial assistance programs do not have to pay interest on those amounts for the period from April 1, 2022, to March 31, 2023.

Consequently, the government will, on behalf of borrowers, pay the interest owing to financial institutions and set an interest rate of 0% on amounts owing to the *Ministère de l'Enseignement supérieur* for the duration of the measure.

A legislative amendment will have to include all files in collection at the *Ministère de l'Enseignement supérieur*. A waiver of interest payment or an interest rate of 0% should therefore, depending on the case, be applied to all files in collection for the period from April 1, 2022, to March 31, 2023. This legislative amendment is required as the Regulation respecting financial assistance for education expenses does not authorize the Minister to make this change.

4. Perpetuation of the tax credit for a major cultural gift

Since July 3, 2013, an additional tax credit of 25% for a major cultural gift was introduced. This tax credit of up to \$6 250, is available to individuals, under certain conditions, in relation to a donation made to an eligible cultural donee before January 1, 2023. More specifically, an individual other than a trust, may claim for a taxation year, in addition to the tax credit for gifts, a non-refundable tax credit corresponding to 25% of the eligible amount of a gift of money of at least \$5 000, and of up to \$25 000, made by the individual or the individual's succession to an eligible cultural donee. However, an individual may claim this tax credit for only one major cultural gift. With a view to perpetuate this support for the financing of the cultural sector, the tax legislation will be amended to remove the deadline for making a donation so that it can be recognized as a major cultural gift, thereby making the tax credit for a major cultural gift permanent.

5. Extension of the refundable tax credit for the upgrading of residential waste water treatment systems

To financially assist owners who must undertake work to upgrade their septic systems, the refundable tax credit for the upgrading of residential waste water treatment systems was introduced on a temporary basis as part of the March 2017 budget speech.

With a maximum value of \$5 500 per eligible dwelling, the financial assistance provided by the refundable tax credit for the upgrading of residential waste water treatment systems corresponds to 20% of the portion of eligible expenses, exceeding \$2 500, that an individual has paid under a service agreement entered into before April 1, 2022, to have recognized work carried out to upgrade the waste water treatment systems of the individual's principal residence or cottage suitable for year-round occupancy.

Extension of the eligibility period

The period during which a service agreement may be entered into with a qualified contractor, for the application of the refundable tax credit for the upgrading of residential waste water treatment systems, will be extended by five years, that is, until March 31, 2027.

The extension of the refundable tax credit for the upgrading of residential waste water treatment systems will benefit individuals who have such work carried out by a qualified contractor under a service agreement entered into after March 31, 2022 and before April 1, 2027.

Determination of the tax credit

An individual, other than a trust, who is a resident in Québec at the end of December 31 of a particular taxation year preceding the 2028 taxation year, but after the 2022 taxation year, may claim, for that year, a refundable tax credit for recognized work in relation to a particular eligible dwelling owned by the individual, in an amount equal to the lesser of the following amounts:

- the amount obtained by multiplying 20% by the amount by which the individual's eligible expenditures for that particular year, in relation to an eligible dwelling of the individual, exceeds the amount by which \$2 500 exceeds the aggregate of all amounts each of which is the individual's eligible expenditure, in relation to the eligible dwelling, for any taxation year after the year 2016 and before the particular year;



- the amount by which \$5 500 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister in relation to the tax credit for any taxation year preceding the particular year.

Moreover, for information purposes, the other terms and conditions for the application of the refundable tax credit for the upgrading of residential waste water treatment systems will remain unchanged.

Businesses

1. Extension of the temporary increase in the tax credit relating to investment and innovation

Briefly, the tax credit relating to investment and innovation is granted to a qualified corporation that acquires, after March 10, 2020, and before January 1, 2025, manufacturing or processing equipment, general-purpose electronic data processing equipment or certain management software packages.

It is calculated on the portion of the specified expenses incurred to acquire a specified property in excess of \$5 000 or \$12 500, depending on the nature of the property.

It was then planned that this temporary increase would end on December 31, 2022. However, the temporary increase will be extended by one year, that is, until December 31, 2023.

Rates of the tax credit relating to investment and innovation (per cent)			
Territory where the property is acquired to be used mainly	Rates applicable after March 10, 2020 and before March 26, 2021	Rates applicable after March 25, 2021 and before January 1, 2024	Rates applicable after December 31, 2023 and before January 1, 2025
Territory with low economic vitality	20	40	20
Territory with intermediate economic vitality	15	30	15
Territory with high economic vitality	10	20	10

Other Measures

1. Upgrading digital service offerings to ensure tax fairness

Transforming service delivery at Revenu Québec

The government wants to take advantage of new possibilities offered by digital technologies, in particular by launching the project VISION at Revenu Québec. This project is designed to transform Revenu Québec's provision of services to individuals and to businesses by introducing a more efficient, simplified digital tax administration model.

Project VISION focuses on five main areas:

- simplifying the client experience;
- improving services to businesses;
- strengthening information security;
- fighting tax evasion and fraud;
- modernizing computer systems.

Since meeting tax obligations will be made simpler, a larger number of taxpayers will be able to fulfill their responsibilities themselves, without intervention from Revenu Québec. This measure will increase tax fairness and provide Quebecers with more high-quality services that meet their expectations.

Lightening the administrative burden in the restaurant and bar sector

To ensure fairness in the restaurant and bar sector in 2011, Revenu Québec implemented mandatory billing measures, in particular by requiring operators to give consumers an invoice produced by a sales recording module (SRM). These measures have considerably increased self-assessment in this sector.

Revenu Québec has continued the technological evolution of the SRM by developing SRM-WEB, an upgraded version of the initial SRM.

A chief advantage of this solution is that it does not require the presence of a physical device, and reduces the administrative burden by eliminating the need to produce monthly sales summaries.

In addition, customers will be able to receive invoices electronically, which is not possible under current regulations.

Revenu Québec plans to transition to SRM-WEB beginning in Spring 2023. Legislative amendments will therefore be required.

Facilitating compliance with tax obligations in the residential renovation sector

Residential renovation companies must make sure to meet their many obligations, in particular fiscal ones. Project VISION will allow Revenu Québec to help contractors fulfill the latter more easily.

For this purpose, Revenu Québec will step up consultations with industry representatives and, in collaboration with contractors, will test the possibilities offered by the web version of the sales recording module (SRM-WEB) in the residential renovation sector.

2. Stepping up the fight against economic crime involving cryptoassets

New prospects in the financial sector are based on blockchain technology, resulting in the presence of online cryptoasset exchange platforms, among other things.

However, the growing hype for this type of asset as well as the confidentiality afforded by cryptoasset markets are fertile grounds for the emergence of new types of crime, including:

- the creation of illicit financial products;
- the use of illegal, abusive or fraudulent practices;
- the use of ransomware and the theft of cryptoassets;
- the implementation of tax evasion and money laundering schemes.

In order to ensure that online trading platforms and cryptoasset ATMs comply with their obligations, Revenu Québec will boost its inspection and auditing activities in this regard.

Since the cryptoasset industry is rapidly evolving, along with the criminal schemes involving such assets, it is therefore crucial to continue to develop expertise in investigating cryptoassets.

Given the significant increase in complaints and reports of illegal and unfair practices and various frauds involving cryptoassets, the government is providing funding of \$1 million annually as of 2022-2023 to combat illegal and abusive practices in the cryptoasset industry on the financial markets.

3. Further supporting the tourist accommodation sector

The cancellation of trips to Québec by foreign tourists and the decline in travel between the regions have had a negative impact on occupancy rates in tourist establishments in some regions of Québec and, by extension, on their income. To offset their loss of income, the government is providing \$7 million in 2021-2022 to renew the accommodation tax refund program, which expired on December 31, 2021. The Minister of Tourism will announce details of the program at a later date.

4. Strengthening support for foundations and research bodies

In recent years, the government has funded research foundations and bodies whose work helps fuel reflection and debate on subjects of public interest. In order to strengthen support for research foundations and bodies, in Budget 2022-2023, the government is setting aside \$53.5 million for various organizations, among others, for the Research Chair in Taxation and Public Finance of the Université de Sherbrooke.