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2019 QUEBEC BUDGET SUMMARY

March 21, 2019

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MEASURES PERTAINING TO INDIVIDUALS

Enhancement of the tax credit for experienced workers to bank on career extension

As of the 2019 taxation year, the tax credit for experienced workers will be renamed the tax credit for career extension. Changes will also be made to the tax credit as of the 2019 taxation year:

- 1 The age of eligibility for the tax credit will be lowered to include workers aged 60.
- 2 The ceiling on excess work income eligible for the tax credit will be raised to \$10,000 for workers aged 60 to 64 and will remain at \$11,000 for those aged 65 and over.

The following table shows the adjustment of the tax credit for career extension for taxation years subsequent to 2014.

Adjustment of maximum eligible work income above the first \$5,000 based on worker's age (dollars)

Age of worker	Maximum eligible work income above the first \$5,000				
	2015	2016	2017	2018	As of 2019
65 or over	4,000	6,000	8,000	11,000	11,000
64	–	4,000	6,000	9,000	10,000
63	–	–	4,000	7,000	10,000
62	–	–	–	5,000	10,000
61	–	–	–	3,000	10,000
60	–	–	–	–	10,000

However, for workers who were aged 65 or over in 2015, the tax credit may not be lower than the credit that would be determined in their respect if the maximum amount of eligible work income had remained the same as in 2015 and the tax credit were not reducible based on work income.

Review of the Drive Green program

As of 2020-2021, the Drive Green program will be reviewed in order to:

- 3 eliminate the \$3,000 rebate currently offered in respect of vehicles on which the manufacturer's suggested retail price is between \$75,000 and \$125,000;
- 4 lower the maximum manufacturer's suggested retail price of an electric vehicle giving entitlement to the \$8,000 rebate on the purchase of such vehicle from \$75,000 to \$60,000.

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	3,000	–	1,500	–
\$125,000 and over	–	–	–	–

Gradual elimination of the additional contribution for childcare

Starting in 2019, the minimum and maximum additional contributions for a subsidized childcare service will be reduced by \$0.70 a day, thereby eliminating the bottom rate bracket for the contribution.

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 change to \$140,065 and the maximum additional contribution will be \$4.40 a day.

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

Gradual elimination of the additional contribution for childcare
 (dollars)

Current additional contribution				
	First income threshold	Minimum amount	Second income threshold	Maximum amount
2019	52,220	0.70	78,320	13.90
2020	52,805	0.70	79,195	13.90
2021	53,875	0.70	80,805	13.90
2022	54,915	0.70	82,365	13.90
Proposed change (gradual elimination)				
	First income threshold	Minimum amount	Second income threshold	Maximum amount
2019	--- Eliminated ---		78,320	13.20
2020	--- Eliminated ---		108,530	8.80
2021	--- Eliminated ---		140,065	4.40
2022	--- Eliminated ---		--- Eliminated ---	

Increase in the exemption for support payments in respect of dependent children

The budget raises the exemption for income from child support payments from the calculation of government financial assistance:

- > from \$100 to \$350 per month per dependent child for the social assistance programs;
- > from \$1,200 to \$4,200 per year per dependent child for the student financial assistance program;
- > from \$0 to \$4,200 per year per dependent child for the legal aid program and the housing assistance programs (low-rental housing, rent supplement and shelter allowance).

With this enhancement, a greater number of households that receive child support payments and assistance under government programs will enjoy a full exemption of such payments from the calculation of budgetary programs.

MEASURES PERTAINING TO BUSINESSES

Introduction of a refundable tax credit for SMBs to foster the retention of experienced workers

To support SMBs in their efforts to retain experienced workers and encourage their return to work, the budget provides for the implementation of a measure to reduce payroll taxes.

Main parameters of the measure

The reduction of payroll taxes to encourage the retention of experienced workers, which will take the form of a refund, will be offered to SMBs of all sectors. It will apply to Québec 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.

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 (HSF).

For the purposes of the refundable tax credit to foster the retention of experienced workers, a qualified corporation will mean a corporation that has an establishment in Québec and carries on a business there, whose paid-up capital, for the preceding year, is less than \$15 million and, except where the corporation

is a primary and manufacturing sectors corporation for the year, whose total remunerated hours, for the year, exceeds 5,000.

The following table presents the main parameters of the measure.

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

Eligible employers	Corporations that meet the main conditions for eligibility for the SMD
Eligible employees	Employees aged 60 and over subject to Québec payroll taxes excluding an employee who is a specified shareholder or a specified member
Eligible payroll taxes	Québec contributions ⁽¹⁾ paid by businesses
Maximum rate of payroll taxes reduction ⁽²⁾	50% for workers aged 60 to 64 75% for workers aged 65 and over
Maximum payroll taxes reduction	\$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.

In appendix you will find an illustration of the impact of this measure.

Application date

These amendments will be applicable in respect of a taxation year that ends after December 31, 2018.

Reduction of the capital investment threshold applicable to a large investment project in a designated region

A corporation that carries out a large investment project in Québec may, under certain conditions, claim a tax holiday in respect of the income from its eligible activities relating to the project and a holiday from employer contributions to the HSF regarding the portion of wages paid to its employees that is attributable to the time they devote to such activities.

To further stimulate the carrying out of structuring projects in the designated regions, the capital investment threshold applicable to them will be reduced from \$75 million to \$50 million.

Application date

This change will apply to investment projects for which an application for an initial qualification certificate is filed after March 21, 2019.

This change may also apply to investment projects in respect of which a corporation has already applied for an initial qualification certificate on or before March 21, 2019, but which begin to be carried out after March 21, 2019.

OTHER MEASURES

New initiatives to ensure tax fairness

Strengthening the mandatory disclosure mechanism and improving the rules governing the use of nominees

The government intends to amend the tax legislation so as 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.

Blocking access to public contracts for businesses and promoters that have used abusive tax avoidance strategies

Legislative amendments will be made so that businesses on which a penalty has been imposed further to a final assessment for abusive tax avoidance, as well as the promoters of the transactions in question on whom a penalty has been imposed on the same basis, are listed in the register of enterprises ineligible for public contracts.

Extending the *Attestation de Revenu Québec* to public-building cleaning services

The *Attestation de Revenu Québec* will be mandatory for cleaning contracts in the amount of \$10,000 or more for public buildings such as:

- 5 government and municipal buildings;
- 6 schools, private and public colleges and universities;
- 7 clinics and hospitals;
- 8 office buildings;
- 9 shopping centres, restaurants and movie theaters.

The *Attestation de Revenu Québec* will be applicable to persons registered for the QST.

The administrative terms and conditions as well as the information to be provided to Revenu Québec will be specified at a later date.

Increasing tax compliance in respect of transactions on financial markets

There is currently inconsistency in the information security dealers and brokers provide to investors.

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

Application of the tax on lodging to the activities of persons operating a digital platform offering accommodation units

The evolution of the tourism industry, since the introduction of the tax on lodging, has resulted in the growing presence of digital platforms, which are often operated out of another country.

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.

A person so registered will be required, in respect of any accommodation unit covered by the system rented in a sleeping-accommodation establishment located in a participating tourist region, to collect or the 3.5% tax on the price of

every overnight stay, render an account of it and remit it in accordance with the existing terms and conditions under the tax on lodging system, where such a unit is supplied through the person's digital accommodation platform and is billed at a time when the person's registration is in effect.

Application date

These changes will apply after the date on which the bill implementing these measures is assented to.

Changes to certain measures respecting tips

Since January 1, 2019, the *Act respecting labour standards* provides that an employer is required to pay indemnities to certain employees, where they are absent from work to fulfill family obligations or for health reasons.

The *Act* also provides that tips must be taken into account in determining these new indemnities.

To take into account the new measures, the tax legislation will be amended to provide that the eligible expenses for the refundable tax credit for the reporting of tips will include the portion of these indemnities attributable to tips and that was paid in the taxation year or fiscal period, as applicable.

Application date

These amendments will apply to indemnities paid after December 31, 2018.

APPENDIX

Illustration of the impact of payroll taxes reduction to foster the retention of experienced workers

The following example illustrates the case of an eligible retail SMB whose employees include a 65-year-old worker earning \$42,500 per year on a full-time basis. This employee reduces their work offer and their compensation decreases accordingly, to \$15,000.

To compensate for the decrease in labour supply, the SMB hires a 60-year-old part-time worker with an annual salary of \$27,500.

For these two workers, the business must pay \$3,796 in Québec payroll taxes, which equates to 8.9% of the paid salaries.

The reduction in payroll taxes to foster the retention of experienced workers will reduce the SMB's payroll taxes' expenses by \$2,212, or:

- 10 \$962 for the 65-year-old worker, a 75.0% reduction;
- 11 \$1,250 for the 60-year-old worker, a 49.7% reduction.

Illustration of the impact of payroll taxes reduction to foster the retention of experienced workers (in dollars, unless otherwise indicated)

Targeted worker	Annual salary	Payroll taxes ⁽¹⁾	Payroll taxes reduction	
			Amount	In %
Worker aged 65	15,000	1,283	962	75.0
Worker aged 60	27,500	2,513	1,250	49.7
Total	42,500	3,796	2,212	58.3