

HIGHLIGHTS FROM THE QUÉBEC BUDGET

Minister of Finance Eric Girard tabled the 2024/25 Québec provincial budget on March 12, 2024.

The budget projects a deficit of \$11 billion for the upcoming 2024/25 fiscal year, decreasing to \$8.5 billion in 2025/26 until fiscal balance is achieved in 2029/30 at the latest. The financial framework includes a contingency reserve of \$1.5 billion per year over five years starting in 2024/25 to offset the effects of a temporary decline in economic activity, should one occur. The forecast deficit for the almost completed 2023/24 fiscal year now stands at \$6.3 billion—\$2.3 billion above the projected deficit of \$4 billion.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2024. However, the budget includes an enhancement of the refundable tax credit for Québec film or television productions, changes to the tax credits for the development of e-business and the production of multimedia titles, the abolition of the tax credit to foster the retention of experienced workers and an increase to tax on tobacco products.

The following pages are a summary of the changes announced in the budget. Please note that these changes are proposals until they are passed into law by the government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

There were no proposed changes to personal income tax rates. Tax brackets and other amounts have been indexed by 5.08% to recognize the impact of inflation. The table below shows the Québec tax rates and tax brackets for 2024.

TAXABLE INCOME RANGE	2024 TAX RATES
First \$51,780	14.00%
Over \$51,780 to \$103,545	19.00%
Over \$103,545 to \$126,000	24.00%
Over \$126,000	25.75%

The table below shows the 2024 combined federal and provincial highest marginal tax rates for various types of income.

INCOME TYPE	2024 COMBINED TAX RATES
Regular income	53.31%
Capital gains	26.65%
Eligible dividends	40.11%
Non-eligible dividends	48.70%

Elimination of retirement pension reduction for seniors with disabilities

Effective January 1, 2024, a person eligible for a disability pension who reaches the age of 60 can apply for their retirement pension, which is reduced based on the number of months the pension is received prior to turning 65. When this person reaches age 65, they stop receiving the disability pension, but they continue to receive a reduced retirement pension for the rest of their life.

Budget 2024 announces that as of January 1, 2025, the retirement pension reduction will be completely eliminated for seniors with disabilities reaching the age of 65.

Modifying eligibility criteria for the supplements for handicapped children

To better meet the needs of families with disabled children, the government will be modifying the eligibility criteria for the supplements for handicapped children under the Family Allowance. The budget sets aside \$4.4 million over five years for the purpose of:

- simplifying and updating the eligibility and assessment criteria for the Supplement for Handicapped Children to ensure they are more readily understandable for parents and reflect the medical advancements made in recent years;
- modifying the eligibility criteria for the Supplement for Handicapped Children Requiring Exceptional Care so that certain severely disabled children under age 2 who are currently ineligible can benefit from it.

These modifications will apply as of July 1, 2024.

CORPORATE TAX MATTERS

Corporate income tax rates

The budget contained no proposed changes to corporate income tax rates. The table below shows the Québec tax rates and small business limit for 2024.

CATEGORY	2024 TAX RATES
General rate	11.5%
Manufacturing and processing rate	11.5%
Investment income rate	11.5%
Small business rate	3.2%
Small business without 5,500 hours	11.5%
Small business limit	\$500,000

The table below shows the 2024 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

INCOME TYPE	2024 COMBINED TAX RATES
Small business income	12.20%
Small business without 5,500 hours	20.50%
Active income over \$500,000	26.50%
Manufacturing and processing income	26.50%
Investment income	50.17%

Enhancement of the refundable tax credit for Québec film or television productions

To recognize the contribution of the film and television industry to Québec's culture and economy, the government offers the tax credit for Québec film or television production (CPCQ) and the tax credit for film production services (CSPC).

To encourage more activities related to film and television production in Québec, the budget proposes to:

- enhance the CPCQ by increasing the cap on eligible labour expenditures from 50% to 65% of production expenses;
- raise the CSPC's base rate from 20% to 25% to attract foreign film shoots to Québec.

Changes to the tax credits for the development of e-business

The tax assistance for e-business development is made up of a refundable tax credit at a rate of 24% and a non-refundable tax credit at a rate of 6% (hereinafter referred to as the TCEB). Changes will be made to the TCEB to refocus it further on businesses that offer higher value-added jobs and are in a position to maximize benefits in Québec. These changes involve:

- introducing an exclusion threshold per eligible employee in the calculation of the TCEB;
- removing the \$83,333 limit currently applicable to the qualified wages of an eligible employee;
- increasing the non-refundable tax credit by 1% per year so that it eventually reaches 10% and correspondingly reducing the refundable tax credit so that it eventually reaches 20%.

These changes will apply, for both the refundable and non-refundable tax credits, in respect of a taxation year beginning after December 31, 2024.

Applicable TCEB rates (percent) are shown in the table below.

	2024	2025	2026	2027	2028
Refundable tax credit	24	23	22	21	20
Non-refundable tax credit	6	7	8	9	10
Total	30	30	30	30	30

Changes to the tax credits for the production of multimedia titles

Changes will be made to tax credits for the production of multimedia titles (the general component and the specialized component) to refocus them further on businesses that offer higher value-added jobs and are in a position to maximize benefits in Québec. These changes involve:

- introducing an exclusion threshold per eligible employee in the calculation of these tax credits;
- removing the \$100,000 limit currently applicable to the qualified labour expenditure with respect to an eligible employee;
- introducing a non-refundable tax credit whose initial rate will be 2.5% in 2025, which will subsequently increase by 2.5% per year to eventually reach 10%, and correspondingly reducing the refundable tax credits currently in place.

These amendments will apply in respect of a taxation year that will begin after December 31, 2024.

The tables below summarize the applicable rate of the tax credits for the production of multimedia titles (percent).

Multimedia title to be commercialized and available in French, and which is not a vocational training title:

	2024	2025	2026	2027	2028
Refundable tax credit	37.50	35.00	32.50	30.00	27.50
Non-refundable tax credit	0.00	2.50	5.00	7.50	10.00
Total	37.50	37.50	37.50	37.50	37.50

Multimedia title to be commercialized, not available in French, and which is not a vocational training title:

	2024	2025	2026	2027	2028
Refundable tax credit	30.00	27.50	25.00	22.50	20.00
Non-refundable tax credit	0.00	2.50	5.00	7.50	10.00
Total	30.00	30.00	30.00	30.00	30.00

Other multimedia title, including a vocational training title:

	2024	2025	2026	2027	2028
Refundable tax credit	26.25	23.75	21.25	18.75	16.25
Non-refundable tax credit	0.00	2.50	5.00	7.50	10.00
Total	26.25	26.25	26.25	26.25	26.25

Easing of the notion of government assistance for the application of the tax credit for the production of biofuel and the tax credit for the production of pyrolysis oil in Québec

To intensify its fight against climate change, the government offers, among other incentives to businesses, two refundable tax credits, namely:

- the refundable tax credit for the production of pyrolysis oil in Québec, introduced in the 2018/19 budget; and
- the refundable tax credit for the production of biofuel in Québec, introduced in the 2022/23 budget.

In general, the tax legislation provides rules to prevent the cumulation of government and non-government assistance. As such, the amount of the refundable tax credit for the production of biofuel in Québec and the refundable tax credit for the production of pyrolysis oil in Québec from which a qualified corporation may benefit must be reduced by the amount of any government assistance, non-government assistance, benefit or advantage attributable to the eligible production of biofuel and pyrolysis oil.

In order to foster the production of biofuel and pyrolysis oil in Québec, the tax legislation will be retroactively amended to postpone the application of this rule aimed at preventing cumulation.

Accordingly, for the purposes of the tax credit for the production of biofuel and the tax credit for the production of pyrolysis oil, the expression “government assistance” will include the value of compliance credits granted to a corporation under the Clean Fuel Regulations, where conditions are met, but only as of a corporation’s taxation year that will begin after December 31, 2027.

Abolition of the tax credit to foster the retention of experienced workers

The tax credit to foster the retention of experienced workers was introduced on March 21, 2019. This refundable tax credit is granted to qualified corporations that employ individuals aged 60 or over. It is calculated on the employer contributions paid by the corporation in respect of such an employee. The rate of the refundable tax credit varies based, firstly, on the individual's age and, secondly, the corporation's total payroll.

Given the low impact that this tax credit has had on the retention and attraction of experienced workers and the existence of other incentive measures for experienced workers, the tax legislation will be amended to abolish the tax credit for experienced workers.

OTHER INITIATIVES

Increases in the specific tax on tobacco products

The government is announcing two increases in the specific tax on tobacco products of \$2 each per carton of 200 cigarettes. The tax on tobacco products will increase from \$37.80 to \$39.80 per carton as of March 13, 2024, and a second increase to \$41.80 will come into effect on January 6, 2025.

In addition, the budget proposes to increase the tax on the following tobacco products on March 13, 2024:

- the rate of the specific tax of 18.9 cents per cigarette will be raised to 19.9 cents;
- the rate of the specific tax of 18.9 cents per gram of loose tobacco or leaf tobacco will be raised to 19.9 cents;
- the rate of the specific tax of 29.07 cents per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars will be raised to 30.61 cents per gram; the minimum rate applicable to tobacco sticks will also be raised from 18.9 to 19.9 cents per stick.

The tax on the following tobacco products will be further increased January 6, 2025:

- the rate of the specific tax of 19.9 cents per cigarette will be raised to 20.9 cents;
- the rate of the specific tax of 19.9 cents per gram of loose tobacco or leaf tobacco will be raised to 20.9 cents;
- the rate of the specific tax of 30.61 cents per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars will be raised to 32.15 cents per gram; the minimum rate applicable to tobacco sticks will also be raised from 19.9 to 20.9 cents per stick.

Electric vehicle rebates (Roulez vert program)

Starting on January 1, 2025, the budget reduces the rebates offered by the Québec government for the purchase of fully electric and plug-in hybrid vehicles. The maximum rebates for the purchases of an electric vehicle will be reduced to:

- \$4,000 for new fully electric or fuel cell vehicles and \$2,000 for new plug-in hybrid vehicles costing less than \$65,000;
- \$2,000 for used fully electric vehicles and \$1,000 for electric motorcycles

These rebates will be further reduced until completely eliminated as of January 1, 2027.

Ensuring tax fairness

The budget proposes investments of \$96.5 million over five years for the purpose of:

- strengthening tax audit and collection;
- countering under-declaration of the selling price of used vehicles;
- stepping up the fight against economic crime and smuggling activities.

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Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact. The resources available to you and your advisor include CI Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

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