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Budget Quebec 2020-2021

Summary for Investors

2020-03-10

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Individuals

1. New refundable tax credit for caregivers

The government is announcing the immediate introduction of a new refundable tax credit for caregivers.

In 2020, the four existing components of the tax credit for informal caregivers of adult persons will be replaced by the new refundable tax credit, called the “Tax Credit for Caregivers,” comprising the following two components:

- Component 1: universal basic tax assistance of \$1,250 (in the case of co-residency) and reducible assistance of \$1,250 (no co-residency requirement) for a caregiver providing care to a person aged 18 or older who has a severe and prolonged impairment and needs assistance in carrying out a basic activity of daily living;
- Component 2: universal tax assistance of \$1,250 for a caregiver who supports and co-resides with a relative aged 70 or older.

The following graph illustrates the current situation and the two components of the new credit.

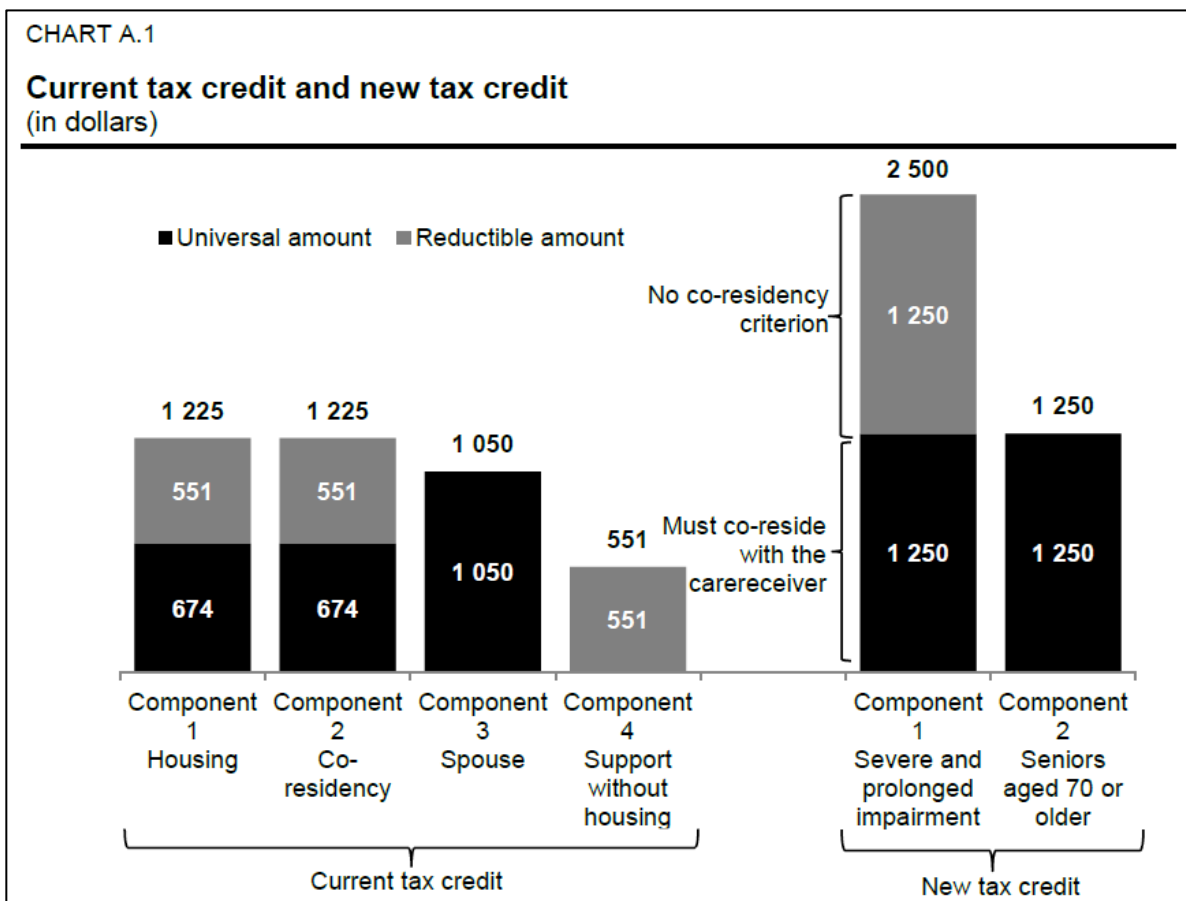


TABLE D.11

Maximum enhancement of the tax assistance for caregivers – 2020

(dollars)

	Current tax credit	Enhanced tax credit	Maximum gain
Component 1: person of full age having a severe and prolonged impairment			
Caregiver who co-resides with:			
– their spouse under age 70	—	1 250 to 2 500	2 500
– their spouse aged 70 or older	1 050	1 250 to 2 500	1 450
– a relative aged 18 or older	674 to 1 225	1 250 to 2 500	1 275
Caregiver who does not co-reside with the carereceiver	0 to 551	0 to 1 250	699
Component 2: relative aged 70 or older not having a severe and prolonged impairment			
	674 to 1 225	1 250	576⁽¹⁾
Average gain	—	—	913

(1) The assistance for caregivers of a relative aged 70 or older no longer includes a reducible amount. Since the reducible amount was previously \$551, the maximum gain could be up to \$576.

Illustration of the reduction in tax assistance

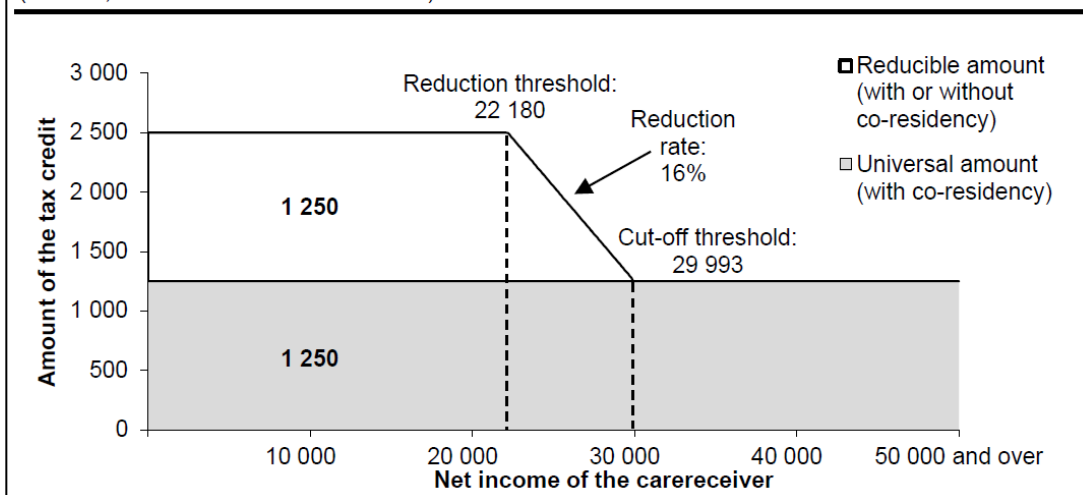
Where the care receiver's net income is \$22,180 or less, the amount of tax assistance will be \$2,500 for a caregiver who lives with the care receiver and \$1,250 for a caregiver who does not live with the care receiver.

Where the care receiver's net income is greater than the reduction threshold of \$22,180, the reducible amount will be decreased according to a rate of 16% for each dollar of the care receiver's income that exceeds the reduction threshold.

CHART D.3

Illustration of the reduction in tax assistance – 2020

(dollars, unless otherwise indicated)



To summarize, the following table presents the main parameters of the two components of the new refundable tax credit for caregivers.

TABLE D.12

Main parameters of the refundable tax credit for caregivers – 2020

	Component 1: Eligible carereceiver aged 18 or older having a severe and prolonged impairment	Component 2: Eligible relative aged 70 or older having no severe and prolonged impairment
Universal amount (with co-residency)	\$1 250	\$1 250
Reducible amount (with or without co-residency)	\$1 250	—
Reduction threshold ⁽¹⁾	\$22 180	—
Reduction rate	16%	—
Characteristics of the carereceiver	Person aged 18 or older having a severe and prolonged impairment in mental or physical functions and needing assistance in carrying out a basic activity of daily living ⁽²⁾	Person aged 70 or older having no severe and prolonged impairment
Eligible carereceivers	Spouse, father, mother, grandfather, grandmother, child, grandchild, nephew, niece, brother, sister, uncle, aunt, great-uncle, great-aunt or any other direct ascendant of the caregiver or of the caregiver's spouse, person having no family relationship with the caregiver (certificate of ongoing assistance)	Father, mother, grandfather, grandmother, uncle, aunt, great-uncle, great-aunt or any other direct ascendant of the caregiver or of the caregiver's spouse
Assistance period	365 consecutive days, including at least 183 days during the year (unless the caregiver or the carereceiver dies during the year)	
Shareable	Yes, provided each of the caregivers, as applicable, co-resided with or supported the eligible carereceiver for at least 90 days	
Other restrictions	The carereceiver cannot be a person living in a seniors' residence or in a facility of the public network	

(1) The threshold is based on the carereceiver's net income.
(2) The requirement respecting being unable to live alone is replaced by the need for assistance in carrying out a basic activity of daily living. Caregivers eligible for the current tax assistance will not be required to submit a new certificate of impairment of the eligible carereceiver to be eligible for the new tax credit.

Changes to the other tax credits relating to informal caregivers

Due to the introduction of the tax credit for caregivers, the following tax credits will be eliminated as of January 1, 2021:

- tax credit for respite of caregivers;
- tax credit for volunteer respite services.

2. Better support to parents of handicapped children

Currently, the main measures designed to support Quebec families are the Quebec Family Allowance and the Canada Child Benefit. Families with a disabled child under age 18 receive additional financial assistance in the form of:

- the supplement for handicapped children and the supplement for handicapped children requiring exceptional care, which are components of the refundable tax credit granting an allowance to families;
- the Child Disability Benefit, which is in addition to the Canada Child Benefit.

To better support parents of handicapped children who require exceptional care, the government is giving them additional assistance through Budget 2020-2021. The additional measures, totaling \$150 million over five years, will apply to:

- the expedition of these children's eligibility for more generous social solidarity benefits;
- the increase in the number of hours of home care services available through the health and social services network;
- the portion of the increase in the refundable tax credit for caregivers, announced in this budget, in respect of parents of adult handicapped children requiring exceptional care;
- the period excluded for the purposes of determining the retirement pension payable under the Quebec Pension Plan (QPP) will be extended from 7 to 18 years for parents of a minor child eligible for the supplement for handicapped children requiring exceptional care.

	2020	2021	2022	2023
Expedited eligibility for more generous benefits ⁽¹⁾	—	561	3 144	4 044
Increase in home care service hours ⁽²⁾	2 378	4 076	4 076	4 076
Enhancement of support for caregivers ⁽³⁾	1 275	1 275	1 275	1 275
TOTAL⁽⁴⁾	3 653	5 912	8 495	9 395

Note: For simplification purposes, this illustration does not take into account future annual increases such as indexation.

(1) This measure takes effect on October 1, 2021.

(2) Parents and a handicapped child of full age who live under the same roof and are eligible for assistance will receive the equivalent of at least 20.5 hours of home care services a week, or 5.5 hours more on average. This measure will take effect on June 1, 2020.

(3) Subject to the parent's receiving assistance in the form of home care services rather than remuneration.

(4) The total does not take into account the impact of taxation for parents who choose to be paid through the service employment paycheque.

3. Simplifying payment of the solidarity tax credit to the surviving spouse

The solidarity tax credit consists of tax assistance to offset the regressive nature of certain taxes for low and middle-income households. The tax credit is granted on a family basis and is paid to only one of the spouses.

If the spouse who claimed the tax credit dies, the tax credit for the household ceases to be paid as of the payment following the death.

- Currently, the surviving spouse can receive the payments to which the deceased spouse would have been entitled on behalf of the household for the remainder of the year. However, the surviving spouse must claim the tax credit by completing Schedule D of the income tax return again and filing it with Revenu Québec.
- This involves an extra administrative step for the surviving spouse, which means a potential delay in payment of the tax assistance.

To reduce the administrative burden following a death and enable the surviving spouse to quickly receive the amounts to which he or she is entitled, the solidarity tax credit will henceforth be paid automatically to the surviving spouse as soon as Revenu Québec is informed of the other spouse's death.

Automatic payment will apply in respect of deaths that occur on or after July 1, 2020.

4. Additional reduction in school tax rates

The government is following through on its commitment by announcing an additional reduction in school tax rates as of July 1, 2020. To this end, additional amounts of more than \$1.2 billion are planned, including more than \$180 million starting in 2020-2021. This additional reduction will, once again, lead to a reduction in school taxes, and will also reduce rate inequities between regions, streamline tax administration and help maintain funding for schools.

By way of illustration, the implementation of the single school tax rate will eventually allow the owner of a \$275,000 dwelling located in Montreal to save \$182 compared to 2018. For the same dwelling located in Mauricie or Saguenay–Lac-Saint-Jean, the school tax reduction will amount to \$509.

5. Standardization of fees for childcare services at school and an additional 6,000 subsidized childcare spaces

Currently, the fees charged to parents for childcare services at school vary from one institution to another and according to region. As of 2020-2021, fees for childcare services at school will be standardized and capped to promote fairness.

Currently, there are some 235,000 subsidized childcare spaces in Quebec. Some 15,340 spaces were announced previously but not created. The government is going to step up to the creation of these spaces. In addition, it is announcing in Budget 2020-2021 that 6,000 subsidized childcare spaces on top of those already planned will be created to allow more families to pay a reduced rate for childcare, currently set at \$8.35 a day in 2020. A total of \$339.3 million over five years is being provided for this purpose.

Of the 6,000 spaces in subsidized childcare:

- 2,500 will be new spaces;
- 3,500 will be non-subsidized childcare spaces converted into subsidized spaces, for the period of 2020 to 2022.

6. Labour fund amendments (FTQ, Fondation, etc.)

The government announces that some amendments will be made to the Act to establish *Fondaction* and *le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi*, and the Act to establish the *Fonds de solidarité des travailleurs du Québec*, for the labour funds to streamline the administrative process concerning the prescription of certain formalities and to extend the transfer of investments to former spouses.

Businesses

1. Improved taxation in favour of businesses

In Budget 2020-2021, the government is implementing several tax initiatives totalling more than \$580 million by 2024-2025 to:

- spur business investment;
- foster innovation and its commercialization;
- ensure the effectiveness of tax assistance.

1.1. Spurring business investment

To spur business investment, the government is:

- implementing the **investment and innovation tax credit (C3i)**, which will encourage businesses from all sectors of activity to acquire manufacturing and processing equipment, computer hardware and management software packages through assistance of up to 20% of eligible investments;
 - The tax credit for the integration of information technologies in small and medium-sized businesses (SMBs) will be abolished, considering that the acquisition of management software packages covered by this tax credit will be eligible for the new C3i;
- extending by four years the eligibility period for the **tax holiday for large investment projects**, which contributes to the carrying out of large projects in Québec by allowing eligible businesses to claim tax relief of up to 15% of their investments;
- announcing the implementation of the **synergy capital tax credit**, which will encourage established businesses to invest in young, innovative businesses with high growth potential and promote the establishment of ties between them.

These initiatives are in addition to the significant accelerated depreciation measures announced in the fall 2018 Update on Québec's Economic and Financial Situation.

1.2. Fostering innovation and its commercialization

To foster innovation and its commercialization, the government is:

- introducing the incentive **deduction for the commercialization of innovations (IDCI)**, which will encourage the competitiveness of Quebec businesses while fostering the retention and perceived value of intellectual properties developed in Quebec. This deduction, which will apply as of 2021, will enable a corporation that commercializes a qualified intellectual property asset developed in Quebec to benefit from an effective tax rate of 2% on the qualified portion of its taxable income attributable to that qualified intellectual property asset. Note that, currently, the corporate income tax basic rate is 11.5% in Quebec.
 - The deduction for innovative corporations (DIC), in effect since 2017, will be replaced by the IDCI.
- **enhancing the three R&D tax credits** fostering collaboration among innovation players by removing the applicable expenditure thresholds, which will further support research projects carried out with universities, or through private partnerships or research consortia;
- streamlining administrative procedures related to **tax holidays** for foreign researchers and experts in order to help businesses recruit the best talent in the world.

1.3. Ensuring the effectiveness of tax assistance

Two tax assistance measures are being refocused to ensure their effectiveness and to take into account changes in certain sectors of activity, including:

- removing website design and development from the activities eligible for the tax credit for the development of e-business;
- changing the tax credit for the production of multimedia titles to specify that the content must be interactive in whole or in part in order to be eligible.

2. Facilitating the integration of people with severely limited capacity for employment

To increase labour market participation of handicapped persons, the government is announcing, in Budget 2020-2021, a reduction in Quebec payroll taxes for businesses that employ people with severely limited capacity for employment.

This measure, which will take the form of a refundable tax credit, will provide nearly 2,500 SMBs with full compensation for Quebec payroll contributions related to wages paid to people with severely limited capacity for employment.

TABLE C.27 Main parameters of the reduction in payroll taxes to facilitate the integration of people with severely limited capacity for employment	
Eligible employers	Corporation meeting the main eligibility criteria for the small business deduction ⁽¹⁾
Eligible employees	Employee for whom the corporation received an attestation certifying that the person received benefits under the Social Solidarity Program as a result of a severely limited capacity for employment during the year in question or one of the five preceding years or Employee with a severe and prolonged impairment in mental or physical functions ⁽²⁾
Eligible payroll taxes	Québec payroll contributions ⁽³⁾
Reduction in payroll taxes	100% of Québec payroll contributions regarding wages paid to eligible employees

(1) Canadian-controlled private corporation with paid-up capital of less than \$15 million.
 (2) As defined for the purposes of the tax credit for a severe and prolonged impairment in mental or physical functions.
 (3) 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.

This initiative will promote the integration and job retention of more than 3 000 handicapped persons in Quebec SMBs, thereby fostering their inclusion and social participation.

3. Promoting our cultural distinctiveness

In Budget 2020-2021, to further promote Quebec's cultural distinctiveness and benefit from its growth potential, the government is providing close to \$457 million in additional investments over six years to:

- open up, create and export Quebec culture;
- support cultural organizations and museums;
- protect, promote and develop the French language.

4. Strengthening corporate transparency

As part of Budget 2020-2021 and to continue its efforts to strengthen corporate transparency, the government will:

- require businesses to declare information on beneficial owners to the *Registraire des entreprises du Québec* (REQ);
- make it possible to do searches in the enterprise register using the name of an individual;
- prohibit the issue of subscription warrants or stock options in bearer form.

The issue of bearer shares has been prohibited by the *Business Corporations Act* since 2011. However, the *Act* does not expressly prohibit the issue of subscription warrants or stock options in bearer form. An investor may hold a proportion of a corporation's shares that is below the threshold needed for the investor to be considered a beneficial owner, but hold subscription warrants or stock options in bearer form that, if the investor exercises his or her rights, would provide him or her with the proportion of shares needed to obtain the title of beneficial owner. If the subscription warrants or stock options are in bearer form rather than registered form, the issuing corporation is unable to determine the potential beneficial owner. Therefore, the government intends to expressly prohibit the issue of subscription warrants or stock options in bearer form. To that end, amendments will have to be made to the *Business Corporations Act*.

5. Supporting business growth in rural Quebec - *Impulsion PME* program

Start-ups, especially those in rural areas, have difficulty accessing venture capital. In Budget 2020-2021, the government is providing \$15 million over three years to implement the *Impulsion PME* program and thereby contribute to the development of start-ups across all of Quebec.

The *Impulsion PME* program, which will carry out interventions valued at \$50 million, will offer, in particular, convertible loans to start-ups recommended by an incubator, an accelerator or any other organization recognized by the *Ministère de l'Économie et de l'Innovation*.

The details of the initiative will be announced at a later date.

Other Measures

1. Environmental Measures

The government is announcing that it will continue to support or enhance programs that support the fight against climate change, among other things the continuation of the *Roulez vert* program, the continuation of the *Chauffez vert* program, and additional funding for the *ÉcoPerformance* program and the *Biomasse forestière résiduelle* program.

Brief description of the targeted programs
<p>The Roulez vert program provides financial assistance of up to:</p> <ul style="list-style-type: none"> – \$8 000 on the purchase or lease of a new electric vehicle;¹ – \$4 000 on the purchase of an all-electric used vehicle; – \$600 on the purchase of a home charging station; – \$5 000 on the purchase of workplace or multi-unit residential building charging stations. <p>The Chauffez vert program provides financial assistance that varies according to the type of home. For a single-family home, it can be up to:</p> <ul style="list-style-type: none"> – \$1 275 for the replacement of a fuel oil heating system; – \$250 for the replacement of an oil-fired water heater. <p>The ÉcoPerformance program is designed to reduce GHG emissions and energy consumption in businesses by funding projects or measures tied to energy consumption and production as well as to process improvement.</p> <p>The purpose of the Biomasse forestière résiduelle program is to reduce GHG emissions and fossil fuel consumption by funding projects to convert residual forest biomass to energy.</p>

¹ Includes all-electric and hybrid plug-in vehicles for which the manufacturer's suggested retail price is \$60 000 or under.

2. Stepping up actions to fight tax evasion and tax avoidance

2.1. Optimizing efforts in at-risk sectors

Tax evasion and tax avoidance schemes change constantly, prompting the government to improve and step up its actions aimed at addressing certain targeted problems. To optimize its initiatives, the government is prioritizing action in sectors deemed to be more at risk.

As part of Budget 2020-2021, the government is continuing its efforts through targeted initiatives to combat tax evasion and unreported work in the construction sector more effectively.

In addition, in Budget 2020-2021, the government provides that licensed personnel placement agencies will be required to have a valid *Attestation de Revenu Québec* at all times. This will enable businesses to normalize their tax obligations with Revenu Québec.

2.2. Increasing interventions in the financial sector and the new economy

The financial sector is changing rapidly due to the development of new technologies. The government plans to adapt its actions based on recent changes in the sector through better oversight and targeted interventions. It must also adapt to the advent of new technologies that pose special challenges by continuing to develop expertise in the cryptocurrency sector.

In addition, in Budget 2020-2021, the government is providing for an increase in funding for Revenu Québec to support the increase of the number of inspections of money-services businesses.

