Wolters Kluwer

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Wolters Kluwer Canada Editorial

Wolters Kluwer Canada

Quebec 2019 Budget Dispatch

YOUR PRIORITIES, YOUR BUDGET

Wolters Kluwer Canada

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Disclaimer

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Content

1 Your Priorities, Your Budget

1.1 Enhancement of the Tax Credit for Experienced Workers to Bank on Career Extension

"I am very proud of this first result and I can assure you that it is just the beginning.

We have heard Quebecers.

We are determined to create the fiscal room needed to continue reducing the tax burden and put even more money back in the pockets of Quebecers."
--Eric Girard, Minister of Finance

Quebec's Minister of Finance Eric Girard presented the province's 2019-2020 Budget, *Your Priorities, Your Budget* ("Budget 2019") on March 21, 2019.

It projects a balanced budget for 2019-2020, with a balanced budget for the next four years.

Budget 2019-2020 contained a few tax changes, which are summarized below.

2 Personal Income Tax Measures

2.1 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. Also, to encourage more experienced workers to remain longer in or to re-enter the labour market, changes will also be made to the tax credit as of the 2019 taxation year.

Firstly, the age of eligibility for the tax credit will be lowered to 60. Secondly, for workers aged 61 to 64, the maximum amount of eligible work income on which the tax credit is calculated will be raised to $10,000. For the new category of workers aged 60, the maximum amount of eligible work income on which the tax credit is calculated will also be $10 000. The tax credit for career extension will thus be calculated on the same maximum amount of eligible work income 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 age.

Parameters of the increase in the ceiling on excess work income based on age--2019				
Age of worker	**Amount before increase**	**Amount after increase**	**Increase**	**Maximum tax cut**
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	**-**	**-**

3 Corporate Income Tax Measures

3.1 Introduction of a Refundable Tax Credit for SMBs to Foster the Retention of Experienced Workers

A refundable tax credit to foster the retention of experienced workers will be introduced, effective for taxation years that end after December 31, 2018. This refundable tax credit will be granted to qualified corporations that employ individuals aged 60 or over. It will be calculated on the employer contributions paid by the corporation in respect of such an employee. The rate of the refundable tax credit will vary based, firstly, on the individual's age and, secondly, the corporation's total payroll. Thus, in respect of an employee aged at least 60 but no older than 64, the tax credit that can be claimed by a qualified corporation with a total payroll of $1 million or less, on the employer contributions paid in respect of such an employee, will be calculated at a rate of 50% and can total as much as $1,250 annually. In respect of an employee aged at least 65, the tax credit such a corporation can claim on employer contributions paid in respect of such an employee will be calculated at a rate of 75% and can total as much as $1,875 annually. Qualified corporations must have an establishment in Quebec and carry on a business with paid-up capital less than $15 million for the year and with total remunerated hours for the year over 5,000. The payroll threshold will be $6 million for the 2019 and 2020 calendar years, $6.5 million for the 2021 calendar year and $7 million for the 2022 calendar year. For the 2023 and subsequent calendar years, it will be automatically indexed each year.

3.2 Capital Investment Threshold for a Large Investment Project in a Designated Region

Currently, a corporation or partnership is eligible for the tax holiday on large investment projects if its capital investment exceeds $75 million within the 60-month start-up period provided that the project is in a designated region. If the project is not in a designated region, the capital investment threshold is $100 million. Budget 2019 proposes to reduce the capital investment threshold for large investment projects in a designated region to $50 million. This change is applicable to investment project applications for which the initial qualification certificate is filed after March 21, 2019. Where the certificate has been filed before this date, but the project has not begun to be carried out, the corporation or partnership can apply to the Minister of Finance before January 1, 2021. The application must be made before it submits its first annual certificate application with respect to the project.

4 Other

4.1 Continuation of the Action Plan

Budget 2019 announces new measures to foster tax fairness and protect the integrity of the tax system.

New Initiatives

- Strengthening the mandatory disclosure mechanism and improving the rules governing the use of nominees
- Blocking access to public contracts for businesses and promoters that have used abusive tax avoidance strategies
- Fostering tax fairness in the sharing economy
- Extending the Attestation de Revenu Québec to public-building cleaning services
- Increasing tax compliance in respect of transactions on financial markets

New Measures to combat fraud, money laundering and the funding of criminal activities

- Strengthening corporate transparency
- Combatting fraud against the government more effectively
- Entrusting administration of the Money-Services Businesses Act to Revenu Québec

Follow-up of Actions Carried Out

Continue the Concerted actions to fight tax evasion:

- the fight against the illicit trade in tobacco products;
- the fight against unreported work in the construction sector;
- the fight against the illicit trade in alcoholic beverages;
- the fight against economic and financial crime;
- the fight against organized networks of unreported work;
- the fight against the illicit cannabis trade.

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

Mandatory registration for the tax on lodging

Currently, a person operating a digital accommodation platform may register voluntarily in the tax on lodging system. 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 (a "particular accommodation unit") to collect or pre-collect 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. Such person will be required to render an account of the tax on lodging by means of a prescribed form containing the prescribed information, in the same manner as persons required under the tax on lodging system to collect the tax or an amount equal to it, and remit it to the Minister.

Registration of a person operating a digital accommodation platform will be subject to the same rules as those currently provided for in the tax on lodging system in respect of registration by persons required to remit to the Minister the tax on lodging or an amount equal to the tax. It will thus no longer be possible for a person operating a digital accommodation platform to register voluntarily in the tax on lodging system.

Finally, changes will be made to the tax on lodging system so that a customer who acquires an accommodation unit from a registered person operating a digital accommodation platform and pays an amount on account of the tax on lodging in respect of such a unit, where the unit is not a particular accommodation unit, may apply for a refund from the registered person operating the digital accommodation platform.

Application date

These changes will apply from the first day of the first calendar quarter beginning at least 180 days after the date on which the bill implementing these measures is assented to.

4.3 Introduction of a sustainable development certification allowance in the *Mining Tax Act*

Sustainable development certification allowance

The *Mining Tax Act* will be amended so that an operator can deduct, in the calculation of its annual profit for a fiscal year, an amount on account of the sustainable development certification allowance, which may not exceed, for the fiscal year, the amount corresponding to its cumulative sustainable development certification expenses at the end of the fiscal year.

The amount of the cumulative sustainable development certification expenses of an operator, at a particular time, will correspond to the amount by which the aggregate of the sustainable development certification expenses incurred by the operator before that time, but after March 21, 2019, exceeds the aggregate of the amounts deducted by the operator on account of the sustainable development certification allowance in the calculation of the operator's annual profit for a fiscal year ended before that time.

The treatment applicable to government assistance received, receivable or repaid and related to sustainable development certification expenses will be the same as that applicable to such assistance for the calculation of cumulative community consultations expenses and cumulative environmental studies expenses. Moreover, the provisions applicable to the other allowances will also apply to this allowance.

Refundable duties credit for losses
Changes will be made to the refundable duties credit for losses of an operator, to take into account the introduction of the sustainable development certification allowance. Consequently, the refundable duties credit for losses that an operator may claim for a fiscal year ending after the day of the budget speech may not exceed 16% of the lesser of the following amounts:

- its adjusted annual loss for the fiscal year; and
- the amount equal to the total of:
    - the amount corresponding to the pre-production development expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the pre-production development allowance;
    - the amount corresponding to community consultation expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the allowance for community consultations;
    - the amount corresponding to the environmental studies expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the environmental studies allowance; and
    - the amount corresponding to the sustainable development certification expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the sustainable development certification allowance;
    - to which is added, if the operator is an eligible operator for the fiscal year, 50% of the amount corresponding to the exploration expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the exploration allowance.

The other rules applicable to the calculation of the refundable duties credit for losses that an operator may claim for a fiscal year remain unchanged.

Application date

These changes will apply to a fiscal year of an operator that ends after March 21, 2019, in respect of sustainable development certification expenses incurred after that day.

4.4 Changes to Certain Measures Respecting Tips

New eligible expenses for the purposes of the refundable tax credit for the reporting of tips

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 the indemnities for days of leave to fulfill family obligations or days of leave for health reasons that is attributable to tips and that was paid in the taxation year or fiscal period, as applicable.

Application date

These amendments will apply to indemnities for days of leave to fulfill family obligations or for days of leave for health reasons paid after December 31, 2018.

Easing of the penalty for failure to attribute an amount as tips

To standardize the special penalty for attribution of tips with other existing penalties, an amendment will be made to the *Tax Administration Act* so that this special penalty is calculated based on the amounts payable or remittable under a tax law, and not based on the amount of the tips not attributed. Thus, where an employer fails to pay or remit a particular amount that the employer is required to pay or remit under a tax law and the particular amount is attributable to the amount of tips that was not but should have been attributed, the special penalty that the employer incurs will be equal to 50% of the particular amount. Finally, the *Tax Administration Act* will be amended to provide that a person cannot incur both the penalty for false statements or omissions and the penalty related to the attribution of tips for the same omission. These amendments will apply in respect of a penalty imposed after March 21, 2019.

4.5 Change to certain terms and conditions of application of the Fonds de solidarité des travailleurs du Québec's (FTQ) investment requirement

Merger of investment ceilings

To make reinvestment in enterprises easier and simplify management of the investment requirement, the Fonds de solidarité FTQ's statute of incorporation will be amended to merge the ceiling on strategic investments and the ceiling on investments in major projects that have a structuring effect on Québec's economy. Consequently, for the purposes of the investment requirement, the aggregate of the strategic investments and the investments in major projects that have a structuring effect on Québec's economy that the Fonds de solidarité FTQ will be authorized to make may not exceed 27.5% of its net assets at the end of the preceding fiscal year. This amendment will apply to any fiscal year of the Fonds de solidarité FTQ beginning after May 31, 2018.

4.6 Harmonization with certain measures announced in the Fall Economic Statement 2018 of the Department of Finance Canada

These amendments concern the accelerated deduction granted in respect of Canadian development expenses and Canadian oil and gas property expenses, for the year in which the expenses are incurred, as well as the extension of the Mineral Exploration Tax Credit for five years.

For cumulative Canadian oil and gas property expenses, the rate of the deduction applicable for the Québec tax system is harmonized with the rate applicable for the federal tax system, that is, 10% (before the enhancement announced in fall 2018).

In addition, except where it allows a corporation to deduct the total amount of its cumulative Canadian development expenses or its cumulative Canadian development expenses incurred in Québec, the Québec tax legislation will be amended, with adaptations on the basis of its general principles, to incorporate the proposed amendments to the federal *Income Tax Act* allowing a taxpayer to deduct, in calculating the taxpayer's income, for the year in which the expenses are incurred, up to one-and-a-half times the amount the taxpayer would otherwise have been able to deduct in respect of the taxpayer's Canadian development expenses and Canadian oil and gas property expenses, where the taxation year ends before 2024, with a gradual reduction thereafter. The amendments to the Québec tax legislation will be adopted only following assent to any federal statute implementing the legislative proposals retained, which will take into account any technical amendments that may be made prior to assent; accordingly, these amendments will be applicable on the same dates as those for application of the amendments to the federal tax legislation.

The measure respecting the extension of the Mineral Exploration Tax Credit will not be retained because the Québec tax system does not contain any analogous provisions.

