

Quebec Budget March 26, 2015 Highlights

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W H I T R O D L E D U C C P A I N C .

Quebec Finance Minister Carolos Leitao delivered his second budget on March 26, 2015. True to his word, the budget is being balanced for 2015-2016, largely from continued expenditure controls.

Although there are no new taxes, some existing taxes will increase in certain areas and decrease in others. Mr. Leitao has not spared us from complexity however, in some of his well-intentioned proposals.

The following are some highlights of interest to small business owners and their families:

Personal Taxes

- A reduction of the Health Contribution tax starting in 2017 by way of increasing the exemption threshold and a complete elimination as of 2019. Currently the tax is generally \$200 per adult and rises to \$1,000 per adult for higher income earners.
- An increase in the tax credit for workers 65 and over and a reduction in the age eligibility for the credit from age 65 to age 64 in 2016 and age 63 in 2017.
- Introduction of a "Tax Shield" credit for lower income workers to protect against the erosion of social assistance credits that currently acts as a negative motivation for these workers.
- An increase in the age where an individual would be eligible for the "age credit" from 65 in 2015 to age 70 in 2020. As the age credit is income tested already, the impact of this measure will be minimal for many seniors.
- To assist seniors from not having their property tax bills rise dramatically, seniors will be able to apply for a grant as of 2016. Eligibility for the grant will be dependent on whether the property tax increases are greater than the average of the municipality and will be family income tested. Needless to say, many seniors will be discouraged from making the application as it may be difficult for the average senior to do.

Look inside for more highlights...

Personal Taxes (continued)

- Changes to the Solidarity Tax Credit to quarterly payments on annual amounts of less than \$800 and a single payment on annual amounts below \$240, beginning July 2016, based upon the 2015 income tax return. In addition, the eligibility for the credit will no longer be affected by changes to marital or housing status in any one month, as is currently the case. Landlords however, will again be required to be involved by issuing "occupation records". These records will require to be submitted by the landlords by the end of February of the following year regarding the tenants occupying the dwellings as of December 31st. Although the Solidarity Tax Credit is a good concept in that it provides assistance to those in need of it, it has been a nightmare to administer. Quebec could certainly find easier and less costly ways to provide assistance to Quebecers rather than to create new bureaucracies that just add to cost of running government.

Business & Corporate Taxes

- A reduction in the general corporate income tax rate from 11.9% currently by .1% starting in 2017, down to 11.5% in 2020. The small business rate of 8% on active business income will remain at 8%. Small businesses in the manufacturing sector will see their lowest tax rate rise from 4% to 5.69% after 2016 and to 7.12% if the business has less than three employees. The small business deduction for service businesses with less than 3 employees will be eliminated after 2016, meaning very small businesses will have a tax increase starting in 2017.
- A reduction in the Health Services Fund rate or payroll starting in 2017 on payrolls less than \$5 million. On payrolls of \$1 million or less, the rate falls from 2.7% currently to 2.55% in 2017, 2.4% in 2018 and 2.25% as of 2019.
- Lifting of the current restrictions on large businesses (more than \$10 million of annual sales) on certain input tax credits starting in 2018 and completely lifted by 2021.
- Introduction of a "general integrity rule" to prevent the use of partnerships or trusts to prevent double dipping and multiple uses of tax preferential tax rates available to corporations under the "associated corporations" rule.
- An increase in the exemption related to the 1% training tax requirement from \$1 million of annual payrolls to \$2 million, effective 2015.

As always, should you wish to discuss any of these measures in further detail, please give us a call.

Yours truly,

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