

**Quebec Budget
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Highlights**

ROBIN WHITROD

Comptable agréé Inc. / Chartered Accountant Inc.

Budget Highlights

For more information please contact the office of Robin Whitrod Chartered Accountant Inc.
1 Holiday Avenue
West Tower, Suite 520
Pointe-Claire, QC H9R 5N3
Telephone: (514) 426-2011
Facsimile: (514) 426-0559
robin@rwhitrod.ca

The following are points we feel may be of interest to individuals and businesses in the greater Montreal area from Quebec Finance Minister Monique Jérôme-Forget's second Budget. Although the liberals are in a minority, it is widely believed that this budget will be passed into law in the upcoming months.

The measures outlined in this Budget summary are targeted more to specific groups of individuals or businesses and have little impact on the average taxpayer. Patience is a virtue when it comes to tax relief in Quebec.

Individuals

- Certain enhancements to the work-premium credit including the ability to request advance payments by families without children
- Indexing of the deduction for workers, starting in 2009 (maximum \$1,000 for 2008).
- An elimination of the additional restrictions on deducting "in town" business meals by commissioned employees, thereby reinstating the standard deductibility of 50%.
- An indexing of the income threshold on which the child care expense credit rates are reduced, starting in 2009. This will result in a slightly higher tax credit for middle income families.
- An increase in the home support for seniors (70 years or older) from 25% to 30% of eligible expenses and a simplification to the amount of eligible expenses that are included in rent payments to residences or co-ownerships. Maximum credits have also been increased to as high as \$6,480 per year, per person.
- An increase in the pension income amount from \$1,500 to \$1,750 in 2009 and \$2,000 in 2010, plus an indexing of the age amount (currently at \$2,200) starting in 2009. These amounts will still be reduced or eliminated depending on the couple's combined net income.

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Individuals (continued)

- Introduction of a tax credit for expenses incurred by informal caregivers for 2008, up to \$1,560 (\$5,200 x 30%), to be indexed in 2009. The credit will be reduced gradually as the informal caregiver's net income exceeds \$50,000.
- A reinstatement of social security taxes paid to the U.S. being eligible for foreign tax credits.

Business

- Introduction of a refundable tax credit for the purchase of eligible manufacturing and processing (M&P) equipment from 5% (urban areas) to 40% (remote areas) of the eligible investment.
- An elimination of the Tax on Capital for manufacturing corporations and a prorated reduction for corporations whose activities are partly manufacturing.
- An introduction of a temporary tax credit for the development of e-business, equal to 30% of eligible salaries as of March 14, 2008 to an annual maximum of \$20,000 per eligible employee. This credit program terminates December 31, 2015. There is no credit available for consultants or specified employees (shareholders).
- The introduction of a tax credit for employers who hire immigrants in order for these employees to learn French. The credit will generally be 30% of courses given to qualifying employees, by recognized educational institutions or certified trainers. Qualifying expenditures start on March 14, 2008 and run through December 31, 2011. Employers who qualify for the refundable credit for Manpower training will also be able to receive this new credit, but on a reduced basis.
- Improvements to the on-the-job training tax credits including an increase on the credit from 30% or 15% to 40% or 20%, depending on the type of company and an increase in the weekly cap from \$750 or \$600 to \$1,050 or \$750. These changes are effective March 14, 2008.
- An increase in the lifetime R&D expenditure limit eligible for the 37.5% rate on R&D salaries for SMEs from \$2-million to \$3-million.

Other

- Quebec has stated it will generally adopt the measures included in the most recent federal Budget, with obvious exceptions to measures in which there is no impact on Quebec tax law.

Should you wish to discuss how these tax changes impact your tax planning, please give us a call.

ROBIN WHITROD CHARTERED ACCOUNTANT INC.

