

Quebec Budget March 17, 2016 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 Carlos Leitão delivered his third budget on March 17, 2016. True to his word, once more the budget is being balanced for 2016-2017, largely from continued expenditure controls.

Although there are no new taxes, some existing taxes will increase in certain areas and decrease in others. Mr. Leitão 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 2016 based on a specific revenue threshold, and a complete elimination as of 2018. Currently the tax is generally \$100 per adult and rises to \$1,000 per adult for higher income earners.
- An increase in the tax credit for experienced workers and a reduction in the age eligibility for the credit from age 65 currently to age 64 in 2016, age 63 in 2017 and age 62 in 2018. The maximum amount by which the eligible work income exceeds the first \$5,000 will increase from \$4,000 to \$10,000 depending on the age of the worker.
- RénoVert, a new refundable tax credit for carrying out eco-friendly home renovations, will be introduced on a temporary basis starting today. The tax credit will be equal to 20% of the qualified expenditures in excess of \$2,500, for a maximum credit of \$10,000. The construction contract will have to be dated before April 1, 2017 and payment must be made before October 1, 2017.

Look further for more highlights...

Personal Taxes (continued)

- To lighten the tax bill for young families, the budget announces a 50% reduction in the additional contribution for the second child in a subsidized childcare. This reduction is retroactive, and therefore applies for 2015. When filing their tax returns for 2015, parents must calculate their additional contribution without taking this reduction into account. Revenu Québec will then implement the necessary measures to ensure that the parents affected by this change can benefit from the reduction in their childcare rate for 2015. As childcare expenses paid in Quebec are eligible for the federal deduction, parents who have claimed the federal deduction for the additional contribution will likely be reassessed for the 2015 tax year by Canada Revenue Agency.

Business & Corporate Taxes

- The 2015-2016 budget announced a reduction in the general corporate income tax rate of 0.1% per year starting in 2017 from 11.9% currently down to 11.5% by 2020. This budget also announced that the small business rate of 8% on active business income will be eliminated after 2016 for service and construction businesses with less than 4 employees, meaning that very small businesses in these sectors will have a tax increase starting in 2017. The 2016-2017 budget changes slightly the rules to avoid penalizing seasonal businesses and replaces the criterion concerning the minimum number of employees with a criterion for hours worked. Therefore, the small business deduction will be granted to the service sector and construction businesses to the extent that employees worked a total of at least 5,500 hours over the course of the year.
- A reduction in the Health Services Fund rate on payroll starting in 2017 for payrolls of less than \$5 million. For payrolls of \$1 million or less in the service and construction businesses, the rate falls from 2.7% currently to 2.5% in 2017, 2.3% in 2018 and eventually to 2% in 2021.

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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