

**Quebec Budget
March 17, 2011
Highlights**

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Budget Highlights

Quebec Finance Minister Raymond Bachand delivered the 2011-2012 Budget on March 17, 2011. This was a “stay-the-course” budget which is relying on the previously announced increases in QST rates to fund deficits expected until 2014. However, some measures such as the changes to the Quebec Pension Plan and the hike in tuition fees may prove to be particularly unpopular in the weeks and months to come:

Businesses

- Changes to the refundable credit for book publishing to include digital versions of books.
- Changes to the refundable credit for sound recording production to eliminate the presence of a “physical medium”. These changes are due to the move over the past few years towards downloadable files as opposed to CD and DVD formats.
- An increase in eligible investments of tax advantaged funds such as the Fonds de Solidarité to include programs such as business succession (Relève Québec Fund) and an increase in how much can be invested in any one type of program from 5% to 7.5% of the portfolio. Although these changes may expand opportunities for investors in these funds, it undoubtedly increases risk as well.
- No change in the plan to increase the QST rate to 9.5% starting January 1, 2012. As the QST rate is levied on top of the GST, the effective sales tax rate will have risen from 7.875% in 2010 to 9.975% in 2012.

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Individuals

- An increase in OPP premium rate by 0.15% per year between 2012 and 2017. This will increase the rate currently at 4.95% to 5.4% by 2017 for employees and from 9.9% to 10.8% for self-employed individuals, on the yearly maximum insurable earnings which is currently \$44,800.
- A decrease in benefits for persons applying for the OPP pension before age 65 by 0.1% per month, and an increase in benefits for people to delay applying for their pension until after age 65 by 0.2% per month. These measures may change retirement plans for many people.
- A tax credit for workers 65 or older starting in 2012 of up to \$450, increasing to up to \$1,500 after 2015.
- An expansion of the eligibility for the refundable tax credit for informal caregivers. This credit is up to \$1,075 in 2011.
- Replacement of the refundable credit for the purchase/lease of a “green vehicle”, by a rebate program as of 2012, in order to provide the assistance immediately as opposed to when the income tax return is filed.
- An increase in daycare spaces by 15,000 through 2016.
- An increase in tuition fees of \$325 per year (\$1,625 over 5 years) for university students, starting in the fall of 2012.
- No changes to the plan to charge the special “Health Contribution” tax. In 2010 this amount is \$25 per adult and rises to \$100 per adult in 2011 and \$200 per adult in 2012.

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

Yours truly,

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