

**Quebec Budget
March 30, 2010
Highlights**

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Budget Highlights

Quebec Finance Minister Raymond Bachand delivered the 2010-2011 Budget on March 30, 2010. Although generally a restraint budget, Minister Bachand did have a few tricks up his sleeve in order to have the most heavily taxed province in Canada, pay just a bit more. The following are some of the new measures:

Businesses

- No changes to tax rates for corporations.
- Technical changes to the Mining Duties Act, including an increase in duties from 12% to 16% in 2012.
- Minor changes in R&D credits for the pharma industry to include test subject remuneration as part of eligible R&D expenditures. Payments to test subjects will now be tax free payments for the first \$1,500 annually.
- Changes to taxes on businesses considered to be “International Finance Centre” businesses, from a partial tax exemption to a refundable tax credit based upon eligible salaries paid.
- An increase in the CCA (depreciation) rate for new trucks and trailers in the trucking industry (> 11,788 kg) from 40% to 60%, and additional deductions if the new trucks are fuelled with liquefied natural gas (LNG).

Individuals

- No changes in personal income tax rates.
- Introduction of a “Health Contribution” tax for all individuals 18 or over of \$25 for 2010, \$100 for 2011 and \$200 for 2012. Only those with very low incomes will be exempted from this new tax.

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Individuals (continued)

- The property tax credit and the QST credit will be replaced with a “Solidarity Tax Credit” which will be paid monthly starting in July 2011. To be eligible for this tax credit, an individual or family would again need to be low income earners.
- Some credits such as the tax credit for child-care expenses and work premium credit can be received in advance. For those persons eligible for advance payment, the payments will go from quarterly to monthly in 2011.

Consumption Taxes

- The QST is set to rise to 8.5% on January 1, 2011 and to 9.5% on January 1, 2012. As the QST is levied on top of the GST, the effective rate as of January 1, 2010 will be 14.975%, or almost 2% higher than the sales taxes in Ontario.
- For purchasers of newly built homes, the refundable QST credit on new homes will rise to 50% of the QST paid (from 36%) and the threshold where the refund is eliminated altogether will rise from \$225,000 to \$300,000. The maximum rebate will rise by consequence, to \$8,772.
- Fuel taxes on gasoline and diesel will increase by 1% per year for 4 years, starting April 1, 2010. This increase in fuel taxes will also result in higher GST and QST as a consequence of higher base costs for fuel.

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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