

Quebec Budget March 27, 2018 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 tabled his fifth and last budget of the current legislative session, with a Quebec election slated for the fall of 2018.

In addition to the measures highlighted below, Quebec has announced they will harmonize with the new federal budget changes with respect to income splitting with family members.

Here are the points we feel are of greatest interest to small business owners and their families:

Personal Taxes

- Introduction of a first-time home buyer's tax credit effective for 2018, equal to \$750.
- Extension of the RenoVert tax credit program to March 31, 2019.
- A lowering of the age limit for tax credit for experienced workers from age 63 to 61 and an increase in the income eligible for the credit by \$1,000 for all workers aged 62 and over in 2018.
- Enhancement of the refundable credit for the purchase or rental of specific equipment by seniors 70 years old or older by way of a reduction in the threshold from \$500 to \$250 before the 20% credit would apply. The list of qualified equipment has also been expanded.
- An increase in the limit of childcare expenses eligible for the refundable credit for childcare expenses to \$9,500 from \$9,000 for children under 7 years old at the end of the year and to \$13,000 from \$11,000 for children with severe and prolonged impairments. All the annual limits related to eligible childcare expenses will be indexed annually as of 2019.

Look further for more highlights...

Personal Taxes (continued)

- A reduction in the dividend tax credit from 11.9% for eligible dividends and 7.05% for non-eligible dividends to 11.7% and 4.01% respectively, between 2018 and 2021. The adjustment to the dividend tax credit is to reflect the reduction in the general corporate tax rate from 11.9% down to 11.5% in 2020. Please note that there are no changes to the grossed-up factors.

Business and Corporate Taxes

- A requirement for businesses outside of Quebec to register for QST by January 1, 2019 for businesses located outside Canada and by September 1, 2019 for businesses outside Quebec but located in Canada. The threshold for registration is \$30,000 of sales in a fiscal year into Quebec.
 - A reduction of the Health Services Fund tax paid by employers in two ways:
 - An increase in the threshold where the 4.26% rate starts, from \$5 million to \$7 million of worldwide payrolls by 2022. The \$7 million threshold will be indexed annually as of 2023.
 - A lowering of current rates starting in 2018. For example, on worldwide payrolls of < \$1 million for 2018, the rate reduces from 2.3% to 1.95% for payrolls after March 27, 2018. For manufactures with worldwide payrolls < \$1 million, the rate reduces from 1.5% to 1.45%.
 - An increase in the small business deduction bringing the effective tax rate from 8% currently to:
 - 2018 – 7% (prorated for the number of days in 2018 before and after March 27th)
 - 2019 – 6%
 - 2020 – 5%
 - 2021 – 4%
 - A replacement in the “additional” capital cost allowance from 35% to 60% on manufacturing and computer equipment purchased after March 27, 2018 and before April 1, 2020.
 - An increase in the on-the-job tax credit generally from 24% to 32% of the eligible training expenses. Eligible training costs are also increased, generally from \$600 to \$700 per week. Eligible hourly rates for supervisors are also increased, generally from a maximum of \$30/hr to \$35/hr, effective March 28, 2018.
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Business and Corporate Taxes (continued)

- Introduction of a refundable credit to encourage training for workers in small and medium sized businesses up to \$5,460 per year for each eligible employee. The training would be given by a recognized secondary-level or college-level institution and the employee would attend the training courses during the business' work hours. The credit would be equal to 30% of eligible training costs for corporations having a worldwide payroll below \$5 million. The credit will be gradually reduced for worldwide payrolls above \$5 million and would be ground down to \$0 once worldwide payrolls reached \$7 million in a year.

If you would like to discuss any of these measures in further detail, please give us a call.

Yours truly,

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