

Budget 2015-2016: The Table is Set for Wealth Creation

Tax Bulletin

Provincial budget, March 26, 2015

In his second budget, Quebec Finance Minister, Carlos J. Leitão, has set the table for wealth creation in two ways: by returning to budgetary balance and by bringing a breath of fresh air, from a tax perspective, for wealth creators: our dynamic local businesses.

Tax measures

The budget includes over twenty measures drawn from the report of the Québec Taxation Review Committee. Among these, of note is the capital gains exemption, which will be available as of January 1, 2017, when business owners sell their business to a corporation owned by their children (or to a non-arm's length party). Raymond Chabot Grant Thornton has been lobbying for such a tax equity measure since 2010. However, it will only apply to business in the primary and manufacturing sectors.

Additionally, a gradual decrease in the general corporate tax rate has been announced. As of January 2017, the general corporate income tax rate will be cut by 0.1 percentage point a year until January 1, 2020, dropping from 11.9% to 11.5%. This reduction represents a decrease in the tax burden of Quebec businesses of about \$120 million.

More specifically, in the case of SMEs in the services sector, there will be a gradual reduction of the Health Services Fund contribution rate from 2.7% to 2.25% as of January 1, 2017. On full implementation, this measure represents an annual decrease in the tax burden of \$194 million.

SMEs in the primary sector for their part will benefit from the same tax rate as those in the manufacturing sector as of January 1, 2017, that is 4%. The rate reduction from 8% to 4% will affect about 6,500 SMEs and represent an annual reduction in their tax burden of \$28 million.

However, part of the tax reduction is financed by SMEs in the service and construction sectors with no more than three employees that will see an increase in the tax rate from 8% to 11.8%, as of January 1, 2017. On full implementation, this will result in a \$207 million increase in their tax burden.

Moreover, some tax credits are increased or expanded, including the following four:

1. The tax credit for the integration of information technologies in manufacturing SMEs is reinstated and broadened to include the primary sector;
2. The minimal tax credit rate for the production of multimedia titles is increased from 30% to 37.5%, with a fiscal assistance cap of \$37,500;

3. The tax credit for the development of e-business is increased by 6 percentage points and the fiscal assistance cap per job is \$25,000;
4. Lastly, the tax credit for investments relating to manufacturing and processing equipment for the regions, which was to end in 2017, is extended until 2022.

Other notable measures

In business succession, the budget provides for investments of \$2 million per year over the next three years to:

- extend to all regions the business transfer services offered by the Centre de transfert d'entreprises du Québec; and
- strengthen mentoring services for business successors by financing the Réseau M 2.0 project of the Fondation de l'entrepreneurship.

Additionally, to further stimulate the economy, the Quebec government is announcing the acceleration, for the next four years, of \$1.4 billion in public investment projects.

We invite you to read the following pages for an overview of the main measures.

Business		
	Current measures	Proposed measures
Corporate income tax		
Reduction of the general corporate tax rate	<ul style="list-style-type: none"> ▪ General tax rate: 11.9% 	<ul style="list-style-type: none"> ▪ Reduced general tax rate: <ul style="list-style-type: none"> – January 1, 2017: 11.8% – January 1, 2018: 11.7% – January 1, 2019: 11.6% – January 1, 2020: 11.5%
Adjustment to the Small Business Deduction (SBD)	<ul style="list-style-type: none"> ▪ Tax rate of 8%, applicable on the first \$500,000 of income eligible for the SBD 	<ul style="list-style-type: none"> ▪ SBD rate adjusted such that the minimum tax rate of eligible corporations will remain 8% at all times, despite the reduction in the general tax rate
Addition of SBD eligibility criteria	<ul style="list-style-type: none"> ▪ Various applicable criteria to determine a corporation's eligibility for the SBD 	<ul style="list-style-type: none"> ▪ In addition to the current criteria, the corporation must either: <ul style="list-style-type: none"> – employ more than three people who work on a full time basis throughout the year; – qualify as a corporation in the primary or manufacturing sector, that is a corporation whose at least 25% of activities consist of activities in the primary sector or the manufacturing and processing sector ▪ Applicable for taxation years beginning after December 31, 2016
Broadening of the additional deduction allowed for manufacturing SME	<ul style="list-style-type: none"> ▪ Additional deduction allowed for manufacturing SMEs in respect of their income eligible for the SBD ▪ Rate of 4% in effect as of April 1, 2015, reduced based on percentage of manufacturing activities 	<ul style="list-style-type: none"> ▪ Going forward, additional deduction also offered to corporations in the primary sector ▪ Applicable for taxation years beginning after December 31, 2016
Investment tax credit (ITC) relating to manufacturing and processing equipment		
Reduction of the credit rates	<p>Base rate:</p> <ul style="list-style-type: none"> ▪ 4% for all regions <p>Increased credit rate according to regions:</p> <ul style="list-style-type: none"> ▪ Remote zone: 32% ▪ Part of the Bas-Saint-Laurent administrative region: 24% ▪ Intermediate zone: 16% ▪ Other regions: 8% 	<p>Base rate:</p> <ul style="list-style-type: none"> ▪ Remote zone: 4% ▪ Bas-Saint-Laurent administrative region: 4% ▪ Intermediate zone: 4% ▪ Other zones: 0% <p>Increased credit rate reduced as follows:</p> <ul style="list-style-type: none"> ▪ Remote zone: 24% ▪ Part of the Bas-Saint-Laurent administrative region: 16% ▪ Intermediate zone: 8% ▪ Other regions: 0%
Extension of tax credit	<ul style="list-style-type: none"> ▪ Property acquired before January 1, 2018 	<ul style="list-style-type: none"> ▪ Property acquired before January 1, 2023
Application date		<ul style="list-style-type: none"> ▪ Measures applicable in respect of costs incurred after December 31, 2016

Unless otherwise indicated, these measures apply to fiscal years ending after March 26, 2015 for businesses and as of the 2015 calendar year for individuals.

Business		
	Current measures	Proposed measures
Refundable tax credit for on-the-job training periods		
Enhancement of the credit rate	<ul style="list-style-type: none"> ▪ Base rate: <ul style="list-style-type: none"> – Corporation: 24% – Individual: 12% ▪ Rate increased in respect of a handicapped or immigrant trainee: <ul style="list-style-type: none"> – Corporation: 32% – Individual: 16% 	<ul style="list-style-type: none"> ▪ Base rate enhanced: <ul style="list-style-type: none"> – Corporation: 40% – Individual: 20% ▪ Increased rate enhanced in respect of a handicapped or immigrant trainee: <ul style="list-style-type: none"> – Corporation: 50% – Individual: 25% ▪ Increased rates available provided the: <ul style="list-style-type: none"> – trainee is a student – credit is requested for at least three consecutive years – eligible expenses are \$2,500 for each of these years ▪ Applicable for expenses incurred after March 26, 2015
Refundable tax credit for the integration of IT in manufacturing SMEs		
Certificate application	<ul style="list-style-type: none"> ▪ No application for a certificate accepted since June 4, 2014 	<ul style="list-style-type: none"> ▪ An application for a certificate may be submitted for contracts the negotiation of which commences after March 26, 2015 and before January 1, 2020
Deadline extended	<ul style="list-style-type: none"> ▪ Eligibility of expenses incurred before January 1, 2018 	<ul style="list-style-type: none"> ▪ Eligibility of expenses incurred before January 1, 2020
Reduction of credit rate	<ul style="list-style-type: none"> ▪ Rate of 25% 	<ul style="list-style-type: none"> ▪ Rate of 20% for new contracts
Reduction in maximum amount of credit	<ul style="list-style-type: none"> ▪ Maximum credit of \$62,500 	<ul style="list-style-type: none"> ▪ Maximum credit of \$50,000 for new contracts
Extension of credit to business in the primary sector	<ul style="list-style-type: none"> ▪ Credit offered to manufacturing SMEs 	<ul style="list-style-type: none"> ▪ Credit extended to businesses in the primary sector
Refundable tax credit for Gaspé Peninsula and certain maritime regions of Quebec		
Addition of an eligible activity sector for the Îles-de-la-Madeleine territory	<ul style="list-style-type: none"> ▪ Recreation and tourism activities: not eligible 	<ul style="list-style-type: none"> ▪ Recreation and tourism activities added
Extension of the eligibility period	<ul style="list-style-type: none"> ▪ December 31, 2015 	<ul style="list-style-type: none"> ▪ December 31, 2020
Introduction of a ceiling on spending	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Annual ceiling on spending of \$83,333 per employee
Reduction of credit rate <i>Wind-power, manufacturing, peat or slate processing sectors and marine products processing for the Gaspé Peninsula and certain maritime regions of Québec</i>	<ul style="list-style-type: none"> ▪ Credit rate: 16% 	<ul style="list-style-type: none"> ▪ Credit rate: 15%
<i>Marine biotechnology, mariculture and recreation and tourism sectors</i>	<ul style="list-style-type: none"> ▪ Credit rate: 32% 	<ul style="list-style-type: none"> ▪ Credit rate: 30%

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Business		
	Current measures	Proposed measures
Fondaction		
Enhancement of the credit rate for the acquisition of eligible shares of Fondaction	<ul style="list-style-type: none"> ▪ Rate of 15% ▪ Increased rate of 25% for shares acquired before June 1, 2015 	<ul style="list-style-type: none"> ▪ Rate of 20% for shares acquired after May 31, 2015 and before June 1, 2016
Capital cost allowance (CCA)		
Temporary increase in the CCA rates for goods used in natural gas liquefaction	<ul style="list-style-type: none"> ▪ CCA rates: <ul style="list-style-type: none"> – Eligible liquefaction buildings: 4% – Eligible liquefaction equipment: 8% 	<ul style="list-style-type: none"> ▪ Harmonization with increased CCA rate announced by the federal government <ul style="list-style-type: none"> – Eligible liquefaction buildings: 10% – Eligible liquefaction equipment: 30% ▪ Applicable for property acquired after February 19, 2015 and before 2025
Mining exploration expenses		
Addition of expenses eligible as exploration expenses in Canada	<ul style="list-style-type: none"> ▪ Exploration expenses recognized under legislation 	<ul style="list-style-type: none"> ▪ Costs incurred for environmental studies and community consultations now qualify as exploration expenses ▪ Applicable for expenses incurred after February 2015, in accordance with the federal government's announcement on March 1, 2015
Refundable tax credits for the production of multimedia titles		
Increase in the credit rate	<ul style="list-style-type: none"> ▪ Multimedia title intended to be commercialized that is not a vocational training title: <ul style="list-style-type: none"> – Base rate: 24% – Premium for French: 6% ▪ Other multimedia titles, including a vocational training title: <ul style="list-style-type: none"> – Base rate: 21% 	<ul style="list-style-type: none"> ▪ Multimedia title intended to be commercialized that is not a vocational training title: <ul style="list-style-type: none"> – Increased base rate: 30% – Premium for French: 7.5% ▪ Other multimedia titles, including a vocational training title: <ul style="list-style-type: none"> – Increased base rate: 26.25%
Introduction of a limit per eligible employee	<ul style="list-style-type: none"> ▪ No limit 	<ul style="list-style-type: none"> ▪ Annual limit of qualified labour expenditure of \$100,000 per employee of the corporation or of a sub-contractor not at arm's length <ul style="list-style-type: none"> – Limit not applicable in certain circumstances ▪ Measures applicable in respect of labour expenditure incurred after March 26, 2015 or incurred as part of a contract entered into after that date
Refundable tax credit for the development of e-business (CDEB)		
Extension	<ul style="list-style-type: none"> ▪ Planned expiry: December 31, 2025 	<ul style="list-style-type: none"> ▪ No expiry
Exclusion of wages relating to certain government contracts	<ul style="list-style-type: none"> ▪ No exclusion 	<ul style="list-style-type: none"> ▪ Exclusion of wages relating to work in connection with a contract entered into with a government entity ▪ Applicable for wages paid after September 30, 2015 with respect to contracts entered into, renewed or extended after that date

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Business		
	Current measures	Proposed measures
Refundable tax credit for the development of e-business (CDEB) (cont'd)		
Change in concept of activities relating to e-business	<ul style="list-style-type: none"> ▪ Activities must be related to e-business 	<ul style="list-style-type: none"> ▪ Activities must be primarily related to e-business ▪ Activities whose results are incorporated into property that is intended for sale or the purpose of the results concerns the operation of such property are no longer considered to be related to e-business ▪ Applicable for years beginning after March 26, 2015
Change in the criterion relating to services provided	<ul style="list-style-type: none"> ▪ Inclusion of gross income in respect of activities whose results are incorporated into property that is intended for sale or the purpose of the results concerns the operation of such property 	<ul style="list-style-type: none"> ▪ Exclusion of gross income in respect of activities whose results are incorporated into property that is intended for sale or the purpose of the results concerns the operation of such property ▪ Applicable for years beginning after March 26, 2015
Introduction of a non-refundable tax credit	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Credit rate: 6% ▪ Annual credit maximum amount: \$5,000 per employee ▪ Same application conditions as those for current CDEB ▪ Applicable for expenses incurred after March 26, 2015
Refundable tax credit for Québec film and television production		
Increase in base rate and introduction of a new class of films	<ul style="list-style-type: none"> ▪ French-language or giant-screen production: <ul style="list-style-type: none"> – Base rate: 36% – Maximum rate: 52% ▪ Other production: <ul style="list-style-type: none"> – Base rate: 28% – Maximum rate: 52% 	<ul style="list-style-type: none"> ▪ French-language or giant-screen production that was not adapted from a foreign format: <ul style="list-style-type: none"> – Base rate: 40% – Maximum rate: 56% ▪ French-language or giant-screen production that was adapted from a foreign format: <ul style="list-style-type: none"> – Base rate: 36% – Maximum rate: 52% ▪ Other production that was not adapted from a foreign format: <ul style="list-style-type: none"> – Base rate: 32% – Maximum rate: 56% ▪ Other production that was adapted from a foreign format: <ul style="list-style-type: none"> – Base rate: 28% – Maximum rate: 52% ▪ Measures applicable to a film or television production for which an application for an advance ruling, or an application for a certificate will be submitted to SODEC after March 26, 2015

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Business		
	Current measures	Proposed measures
Refundable tax credit for sound recording production		
Increase in credit rate	<ul style="list-style-type: none"> ▪ Credit rate: 28% 	<ul style="list-style-type: none"> ▪ Credit rate: 35% ▪ Measures applicable to eligible property for which an application for an advance ruling, or an application for a certificate will be submitted to SODEC after March 26, 2015
Refundable tax credit for the production of performances		
Increase in credit rate	<ul style="list-style-type: none"> ▪ Credit rate: 28% 	<ul style="list-style-type: none"> ▪ Credit rate: 35% ▪ Credit increase applicable for an eligibility period of a performance that will begin after March 26, 2015 and for which an application for an advance ruling, or an application for a certificate will be submitted to SODEC after that day
Change of maximum credit	<ul style="list-style-type: none"> ▪ Cap on the credit: <ul style="list-style-type: none"> – \$1M for a musical comedy – \$600,000 in other cases 	<ul style="list-style-type: none"> ▪ Cap on the credit: <ul style="list-style-type: none"> – \$1.25M for a musical comedy – \$350,000 for a comedy show – \$750,000 in other cases ▪ Increase in cap applicable to an eligible performance, other than a comedy show, whose eligibility periods is not completed on March 26, 2015 ▪ Reduction in the cap applicable to a comedy show for which an application for an advance ruling in relation to the initial eligibility period, or an application for a certificate is presented to SODEC after: <ul style="list-style-type: none"> – March 26, 2015 if SODEC considers that the work on the production of the performance was not sufficiently advanced on that date – June 30, 2015 otherwise
Refundable tax credit for film dubbing		
Increase in credit	<ul style="list-style-type: none"> ▪ Credit rate: 28% 	<ul style="list-style-type: none"> ▪ Credit rate: 35% ▪ Measures applicable to a production where dubbing is finished after March 26, 2015

Business

	Current measures	Proposed measures
Refundable tax credit for book publishing		
Increase in credit	<ul style="list-style-type: none"> ▪ Credit rate: <ul style="list-style-type: none"> – 28% of labour expenditure regarding the preparation costs and digital version publishing costs – 21.6% of the qualified labour expenditure regarding the printing and reprinting costs ▪ Maximum amount: \$350,000 	<ul style="list-style-type: none"> ▪ Credit rate increased to 35% and 27% respectively ▪ Maximum amount: \$437,500 ▪ Measures applicable to an eligible book for which an application for an advance ruling, or an application for a certificate is presented to SODEC after March 26, 2015
Tax credit for the production of multimedia environments or events staged outside Québec		
Increase in credit	<ul style="list-style-type: none"> ▪ Credit rate: 28% ▪ Maximum amount: \$280,000 	<ul style="list-style-type: none"> ▪ Credit rate: 35% ▪ Maximum amount: \$350,000
Elimination of credit expiry	<ul style="list-style-type: none"> ▪ Labour expenditure incurred after March 20, 2012 and before January 1, 2016 	<ul style="list-style-type: none"> ▪ Expiry eliminated ▪ Measures applicable to an eligible production for which an application for an advance ruling, or an application for a certificate is presented to SODEC after March 26, 2015
Refundable tax credit for international financial centres		
Change in application parameters	<ul style="list-style-type: none"> ▪ Refundable credit ▪ A foreign specialist who devotes at least 75% of work time to the operations of an IFC can claim a tax holiday for a period not exceeding five years 	<ul style="list-style-type: none"> ▪ Non-refundable credit, except for credit in respect of back office activities that qualify as qualifying international financial transactions (QIFT), which is still refundable ▪ A foreign specialist who devotes at least 75% of work time to carrying out back office activities that qualify as QIFT will continue to be eligible for the tax holiday ▪ Measures applicable to a taxation year beginning after March 26, 2015
Period to apply for a refundable tax credit in respect of which a certificate must be issued		
Change of time limit	<ul style="list-style-type: none"> ▪ Time limit to claim a tax credit requiring that a certificate or other document first be issued: <ul style="list-style-type: none"> – No more than 12 months following the expiry of the filing date applicable for the taxation year ▪ No time limit if the certificate is issued after the 15th day preceding the expiry of the 12-month time limit 	<ul style="list-style-type: none"> ▪ The time limit is now the later of the following dates: <ul style="list-style-type: none"> – Twelve months after expiry of the filing date – Three months after issuance of the necessary certificate or other document ▪ Applicable for taxation years beginning after March 26, 2015

Business		
	Current measures	Proposed measures
Refundable tax credits		
Change in eligibility for a taxable employee benefit in calculating a refundable tax credit	<ul style="list-style-type: none"> ▪ A taxable benefit included in an employee's income is considered as wages or salary for purposes of refundable tax credits relating to labour expenditures offered to businesses 	<ul style="list-style-type: none"> ▪ Going forward, only benefits paid by means of a monetary amount by the employer will be included in the calculation of a refundable tax credit ▪ Applicable to taxation years beginning after March 26, 2015
Tax credit aimed at encouraging the creation of new financial services corporations		
Review of the eligibility criteria to obtain a qualification certificate and the annual certificate	<ul style="list-style-type: none"> ▪ No specific rule regarding the continuation of business 	<ul style="list-style-type: none"> ▪ The corporation must demonstrate that none of the activities it carries on is the continuation of all or part of an activity previously carried on another person or partnership ▪ These amendments will be declaratory
Abusive tax planning		
Addition of compulsory disclosure transactions	<ul style="list-style-type: none"> ▪ Compulsory disclosure mechanism applies to: <ul style="list-style-type: none"> – confidential transaction – transaction involving conditional remuneration, except for a refundable tax credit claim 	<ul style="list-style-type: none"> ▪ Addition of transactions: <ul style="list-style-type: none"> – Involving conditional remuneration in respect of a refundable tax credit claim – Involving contractual coverage ▪ Changes applicable to transactions carried out as of March 26, 2015, except transaction carried out as part of a series of transactions that began before March 26, 2015 and are completed before July 1, 2015

Individuals																						
	Current measures	Proposed measures																				
Health contribution																						
Gradual elimination as of 2017	<ul style="list-style-type: none"> ▪ In 2015, contribution calculated on the basis of participants' average income: <ul style="list-style-type: none"> – Less than \$18,370: no contribution – From \$18,370 to \$40,820: maximum contribution of \$100 – From \$40,821 to \$132,650: maximum contribution of \$200 – Over \$132,650: maximum contribution of \$1,000 ▪ Thresholds indexed annually 	<ul style="list-style-type: none"> ▪ Income under \$40,820 no contribution as of 2017 ▪ Income from \$40,820 to \$132,650, maximum contribution reduced to: <ul style="list-style-type: none"> – \$125 in 2017 – \$80 in 2018 ▪ Income greater than \$132,650, maximum contribution reduced to: <ul style="list-style-type: none"> – \$800 in 2017 – \$600 in 2018 ▪ Completely eliminated as of 2019 																				
Tax credit for experienced workers																						
Enhancement of the credit	<ul style="list-style-type: none"> ▪ Eligibility age: <ul style="list-style-type: none"> – 2015: 65 years or more ▪ Maximum amount of eligible work income: <ul style="list-style-type: none"> – 2015: \$4,000 	<ul style="list-style-type: none"> ▪ Eligibility age: <ul style="list-style-type: none"> – 2016: 64 years and over – 2017: 63 years and over ▪ Maximum amount of eligible work income: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">2016</th> <th style="text-align: right;">2017</th> <th style="text-align: right;">2018 and foll.</th> </tr> <tr> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>65 years and +</td> <td style="text-align: right;">6,000</td> <td style="text-align: right;">8,000</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>64 years</td> <td style="text-align: right;">4,000</td> <td style="text-align: right;">6,000</td> <td style="text-align: right;">8,000</td> </tr> <tr> <td>63 years</td> <td style="text-align: right;">--</td> <td style="text-align: right;">4,000</td> <td style="text-align: right;">6,000</td> </tr> </tbody> </table> 		2016	2017	2018 and foll.		\$	\$	\$	65 years and +	6,000	8,000	10,000	64 years	4,000	6,000	8,000	63 years	--	4,000	6,000
	2016	2017	2018 and foll.																			
	\$	\$	\$																			
65 years and +	6,000	8,000	10,000																			
64 years	4,000	6,000	8,000																			
63 years	--	4,000	6,000																			
Tax credit for work incentive																						
Introduction of a tax shield to limit the impact of an increase in income	<ul style="list-style-type: none"> ▪ Tax credit reduced when family income reaches set thresholds 	<ul style="list-style-type: none"> ▪ Introduction of a refundable tax credit to offset the loss of some of the following tax credits resulting from an increase in work income of the individual and the individual's spouse: <ul style="list-style-type: none"> – tax credit for childcare expenses – work premium ▪ Credit calculated based on a maximum annual increase in work income of \$2,500 per spouse (maximum increase of \$5,000 per couple) ▪ Applicable as of de 2016 																				
Tax credit with respect to age																						
Increase in the eligibility age	<ul style="list-style-type: none"> ▪ 2015: 65 years 	<ul style="list-style-type: none"> ▪ 2016: 66 years ▪ 2017: 67 years ▪ 2018: 68 years ▪ 2019: 69 years ▪ 2020: 70 years 																				

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Individuals		
	Current measures	Proposed measures
Solidarity tax credit		
Review of a number of the operating terms of the credit, in particular:		
<i>Determination period</i>	<ul style="list-style-type: none"> ▪ Monthly 	<ul style="list-style-type: none"> ▪ Annual
<i>Payment of the credit</i>	<ul style="list-style-type: none"> ▪ Monthly 	<ul style="list-style-type: none"> ▪ Monthly, quarterly or annual basis
<i>Information to be provided with respect to the dwelling component</i>	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ The individual must be able to prove that he or she is, alone or jointly, the owner, tenant or subtenant of an eligible dwelling
<i>Filing of an information return by lessors</i>	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Filing of an occupation record with respect to the tenants of the building
Assistance for seniors		
Introduction of a subsidy to offset municipal tax increases for seniors who own property	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Eligible individual: <ul style="list-style-type: none"> – At least 65 years of age before the start of the year – Family income for the preceding year is not more than \$50,000 (threshold indexed as of 2017) ▪ Eligible residence: <ul style="list-style-type: none"> – Principal place of residence – Owned for at least 15 years ▪ Potential subsidy amount will be indicated on the tax bill ▪ Subsidy claimed on tax return ▪ Applicable as of 2016

Commodity taxes		
	Current measures	Proposed measures
Restrictions on ITR for large businesses		
<p>Gradual elimination of restrictions as of 2018</p>	<ul style="list-style-type: none"> ▪ A large business cannot claim any ITR for the following goods and services: <ul style="list-style-type: none"> – Acquisition or leasing of certain road vehicles – Gasoline used to power the engine of road vehicles – Electricity, gas, combustibles and steam used for a purpose other than to produce certain movable property – Certain telecommunication services – Food, beverages and entertainment subject to the 50% deduction limit under the <i>Income Tax Act</i> 	<ul style="list-style-type: none"> ▪ A large business will be able to claim some restricted ITR in the following proportions: <ul style="list-style-type: none"> – January 1, 2018: 25% – January 1, 2019: 50% – January 1, 2020: 75% – January 1, 2021: 100%
Specific tax on gasoline in border regions		
<p>Increased reduction of the tax</p> <p><i>Areas bordering New Brunswick and Ontario to a maximum distance of 20 km</i></p>	<ul style="list-style-type: none"> ▪ Reduction of 1 to 4 cents/litre 	<ul style="list-style-type: none"> ▪ Reduction of 2 to 8 cents/litre
<p><i>Areas bordering the United States to a maximum distance of 20 km</i></p>	<ul style="list-style-type: none"> ▪ Reduction of 2 to 8 cents/litre 	<ul style="list-style-type: none"> ▪ Reduction of 3 to 12 cents/litre <p>As of April 1, 2015 Taking of inventory on March 31, 2015 at midnight</p>

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Other measures

	Current measures	Proposed measures
Transfer of family businesses		
Easing of the rules limiting the transfer of shares to successors	<ul style="list-style-type: none"> ▪ The gain on the sale of shares by an individual to a corporation with which the individual is not dealing at arm's length is considered a deemed dividend rather than a capital gain, which prevents the individual from claiming a capital gains deduction 	<ul style="list-style-type: none"> ▪ The rule will no longer apply to a seller who uses his capital gain exemption following the sale of qualifying shares to a corporation with which the seller is not dealing at arm's length, in connection with the transfer of a qualifying family business ▪ Qualifying shares: <ul style="list-style-type: none"> – Shares of a family farming or fishing business – Shares of a corporation carrying on a small business in the primary and manufacturing sector ▪ Qualification certificate required before the transfer ▪ Applicable share dispositions after December 31, 2016
Legal structures involving a trust or partnership		
Tightening of rules to restrict the eligibility of certain tax incentives and the assistance offered	<ul style="list-style-type: none"> ▪ The interposition of a trust or partnership within a legal structure can make it possible to circumvent certain integrity rules intended to limit the eligibility or amount of assistance offered by certain tax credits or other tax incentives ▪ Carrying out an activity within a partnership may make it possible to obtain higher tax credits than if the activity were carried out by a corporation 	<ul style="list-style-type: none"> ▪ From now on, a trust or a partnership will be deemed to be a corporation for the purpose of interpreting the concepts of control, non-arm's length relationships, associated companies and corporation exempt from tax used to determine eligibility and the level of tax assistance for several tax assistance measures ▪ From now on, a partnership is considered to be a corporation for purposes of refundable tax credits ▪ Applicable to taxation years ending after March 26, 2015
Donations of food products by farming businesses		
Increase in the eligible amount	<ul style="list-style-type: none"> ▪ The fair market value of donated goods is used to calculate the eligible amount of the deduction for gifts for a corporation or the donation credit for an individual 	<ul style="list-style-type: none"> ▪ Donations of eligible agricultural products by a recognized agricultural producer to the Food Banks of Quebec or a Moisson member: eligible amount increased by 50% ▪ Applicable for donations made after March 26, 2015
Workforce skills development		
Increase in the mandatory participation threshold	<ul style="list-style-type: none"> ▪ Any employer whose payroll is greater than \$1 million is required to incur eligible training expenses representing at least 1% of the total payroll 	<ul style="list-style-type: none"> ▪ As of 2015, only employers with a total payroll of more than \$2 million will be subject to this requirement

Unless otherwise indicated, these measures apply to fiscal years ending after March 26, 2015 for businesses and as of the 2015 calendar year for individuals.

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