

2022-2023 Quebec Budget: New Funds Injected into Several Sectors and Assistance to Reduce Inflationary Pressure

Tax Bulletin

March 22, 2022

The fourth and last budget of the François Legault government before the fall general elections has been wide-ranging. Health, education, tourism, culture, regional development, environment, community, almost everything can be found in this budget, which is injecting more than \$3.2B to give 6.4 million adult Quebecers with a net income of \$100,000 or less, a cheque of \$500 to cope with inflationary pressure.

Quebec's public finances are in good shape. In 2022-2023, the budget balance will post a deficit of \$6.5B once \$3.9B is paid into the Generations Fund. The financial framework provides for an allowance for economic risk and other support and recovery measures of \$2.5B in 2022-2023 and \$1.5B per year as of 2023-2024. The government expects a balanced budget by 2027-2028, but it should be acknowledged that this could be achieved as of 2023-2024, for accounting purposes (excluding the Generations Fund payment). Revenues could reach \$138.5B in 2022-2023, with a 2.2% growth. Expenses will have risen to \$136.6B in 2022-2023, with an increase of 4.8%.

In addition to providing massive support for major sectors such as health (\$9B over five years), education (\$2.8B over five years), tourism (\$304M over six years), regional economic development, culture and the environment (including an additional \$1B in investments for the new 2022-2027 implementation plan of the 2030 Plan for a Green Economy), this budget aims to support businesses and economic growth through initiatives totalling close to \$4.2B between now and 2026-2027. It includes:

- An additional \$1.3B over five years to implement the new Québec Research and Innovation Strategy;
- An additional \$110M over three years to renew the new Québec Life Sciences Strategy;
- \$156M to help Quebec businesses stimulate their investments in new technologies by extending the increase in the tax credit for investments and innovation (C3i) by one year;
- \$1.5B over six years to support regional development by contributing to their prosperity, promoting the development of the forestry sector and protection of wildlife capital and by preparing the tourism sector for recovery;
- \$255M over five years to continue supporting regional air transportation by fostering the establishment of accessible regional services;
- \$290M over five years to bolster the integration of immigrants into the labour market;
- \$627M over five years to support the growth of the bio-food sector;
- \$257M over five years to support the recovery and to promote Québec's culture and cultural sector.

Furthermore, the budget grants \$2.2B in support to reinforce community action and implement measures for supporting communities. For vigorous regional economies, it's important to acknowledge the significant contribution of community organizations as a vector for growth and social inclusion.

In order to ensure better tax fairness, the government intends to revamp its digital services offering, in particular, by launching the Revenu Québec VISION project. This project is designed to transform the provision of services to individuals and businesses by introducing a more efficient, simplified digital tax administration model. The government also plans to devote \$1M every year as of 2022-2023 to fight against illegal and abusive practices in the financial market's crypto-asset sector.

For more information on the tax measures announced in the 2022-2023 budget, please read the following pages.

BUSINESSES

	CURRENT MEASURES	PROPOSED MEASURES
Investment and innovation tax credit (C3i)		
Extension of increase	<ul style="list-style-type: none"> ▪ Credit rate temporarily doubled for expenditures incurred after March 25, 2021 and before January 1, 2023 for property acquired during this period: <ul style="list-style-type: none"> – Low economic vitality zone: 40 % – Intermediate zone: 30 % – High economic vitality zone: 20 % 	<ul style="list-style-type: none"> ▪ Temporary increase extended by one year until December 31, 2023
Refundable tax credit for the production of pyrolysis oil in Quebec		
Extension of the eligibility period	<ul style="list-style-type: none"> ▪ End of eligibility period as at March 31, 2023 	<ul style="list-style-type: none"> ▪ Credit extended until March 31, 2033
Qualification certificate	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Annual eligibility certificate granted by the Minister of Energy and Natural Resources required
Change in credit calculation	<ul style="list-style-type: none"> ▪ Rate of \$0.08 per litre <ul style="list-style-type: none"> – Ceiling of 273,972 litres per day 	<ul style="list-style-type: none"> ▪ Variable credit rate depending on different factors, based on drop in carbon intensity ▪ Credit calculated based on monthly eligible production of pyrolysis oil produced and intended for Quebec <ul style="list-style-type: none"> – Maximum of 821,917 litres per day, for all associated corporations ▪ Applicable as of April 1, 2023
Refundable tax credit for the production of biofuel in Québec		
Introduction of a new refundable tax credit	<ul style="list-style-type: none"> ▪ Refundable tax credits offered until March 31, 2023: <ul style="list-style-type: none"> – Tax credit for the production of ethanol in Quebec – Tax credit for the production of cellulosic ethanol in Quebec – Tax credit for the production of biodiesel fuel in Quebec 	<ul style="list-style-type: none"> ▪ Introduction of a new credit for the production of eligible biofuels: <ul style="list-style-type: none"> – Ethanol, cellulosic ethanol and biodiesel fuel – Other low carbon intensity fuels produced from eligible materials <ul style="list-style-type: none"> • Excludes biofuel for use in an aircraft, boat or ship ▪ Eligible materials: <ul style="list-style-type: none"> – Organic material – Known residual material – Carbon monoxide (CO) or carbon dioxide (CO₂) <ul style="list-style-type: none"> • Excludes materials from an oil palm

BUSINESSES

	CURRENT MEASURES	PROPOSED MEASURES
Refundable tax credit for the production of biofuel in Quebec (<i>continued</i>)		
<i>Calculation of the credit</i>		<ul style="list-style-type: none"> ▪ Variable credit rate depending on different factors, based on drop in carbon intensity ▪ Credit calculated based on monthly eligible production of biofuel produced and intended for Quebec <ul style="list-style-type: none"> – Maximum of 821,917 litres per day for all biofuels, for all associated corporations ▪ Annual certificate granted by the Minister of Energy and Natural Resources required ▪ Applicable from April 1, 2023 to March 31, 2033

INDIVIDUALS

	CURRENT MEASURES	PROPOSED MEASURES
One-time amount to mitigate the increase in the cost of living		
Introduction of a one-time refundable tax credit	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ One-time payment of a maximum of \$500 for any eligible adult who meets the following conditions as at December 31, 2021: <ul style="list-style-type: none"> – Resides in Quebec – At least 18 years old or is an emancipated minor, or a minor who is the father or mother of a child with whom he or she resides – Is not tax-exempt nor detained in prison ▪ Payment reduced by 10% for each dollar of the individual's income in excess of \$100,000 <ul style="list-style-type: none"> – Nil at \$105,000 ▪ No application required <ul style="list-style-type: none"> – Amount paid when 2021 income tax return is filed – The individual must have filed an income tax return in 2021
Tax credit for a major cultural gift		
Perpetuation of the tax credit	<ul style="list-style-type: none"> ▪ Additional tax credit of 25% of cash donation made to an eligible cultural donee <ul style="list-style-type: none"> – Minimum donation of \$5,000 and maximum of \$25,000 (maximum credit of \$6,250) – Non-refundable credit available for one major cultural gift ▪ Applicable to gifts made before January 1, 2023 	<ul style="list-style-type: none"> ▪ Withdrawal of deadline for making eligible donation <ul style="list-style-type: none"> – Tax credit henceforth permanent
Tax credit for the upgrading of residential waste water treatment systems		
Extension of the refundable tax credit	<ul style="list-style-type: none"> ▪ Tax credit of 20% of eligible expenses in excess of \$2,500 <ul style="list-style-type: none"> – Maximum credit: \$5,500 per eligible dwelling (\$30,000 in expenses) ▪ Qualified expenditures: <ul style="list-style-type: none"> – Work carried out to upgrade the waste water treatment systems of a principal residence or cottage suitable for year-round occupancy – Paid under an agreement entered into before April 1, 2022 	<ul style="list-style-type: none"> ▪ Eligibility period extended for a five-year period <ul style="list-style-type: none"> – Eligible expenses paid under an agreement entered into before April 1, 2027
Interest on student loans		
Renewal of elimination of interest on student loans	<ul style="list-style-type: none"> ▪ Interest on student loans eliminated for period from April 1, 2021 to March 31, 2022 	<ul style="list-style-type: none"> ▪ Elimination of interest extended until March 31, 2023

OTHER MEASURES

	CURRENT MEASURES	PROPOSED MEASURES
Drive Green Program		
Extension of program	<ul style="list-style-type: none"> ▪ Program allowing rebates granted for: <ul style="list-style-type: none"> – The purchase of several types of electric vehicles – The purchase and installation of charging stations at home, at work and in rental units 	<ul style="list-style-type: none"> ▪ The government plans to continue funding this program until the 2026-2027 period
Decrease in maximum rebate offered to acquire certain vehicles	<ul style="list-style-type: none"> ▪ Maximum rebate offered varying based on type of eligible vehicle: <ul style="list-style-type: none"> – \$8,000 for new fully electric vehicles – \$500, \$4,000 or \$8,000, based on battery capability, for new plug-in hybrid vehicles – \$4,000 for used fully electric vehicles 	<ul style="list-style-type: none"> ▪ Maximum rebated reduced as follows: <ul style="list-style-type: none"> – \$7,000 for new fully electric vehicles – \$5,000 for new plug-in hybrid vehicles – \$3,500 for used fully electric vehicles ▪ Applicable as of April 1, 2022 <ul style="list-style-type: none"> – Parameters to come for financial years subsequent to 2022-2023
Sales recording module (SRM)		
Restaurant and bar sector	<ul style="list-style-type: none"> ▪ Mandatory billing measures, requiring operators to give consumers an invoice produced by a sales recording module (SRM) 	<ul style="list-style-type: none"> ▪ Revenu Québec plans to transition to SRM-WEB beginning in spring 2023 ▪ SRM-WEB: <ul style="list-style-type: none"> – No presence of physical device contrary to initial SRM – Allows invoices to be sent electronically to clients
Residential renovation sector	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Revenu Québec will try out SRM-WEB for this sector