

2024 Quebec Budget: Substantial Deficit to Meet Health and Education Needs

Tax Bulletin

March 12, 2024

Éric Girard, Quebec's Minister of Finance, just tabled a sixth budget aiming especially to meet the financial imperatives of the Budget's two main priorities: health and education. Written in thick red ink, this budget does not slash public services. On the contrary, far from being severe, it injects much more money into funding health and education while revising certain other tax assistance initiatives for businesses which will enable the government to save money.

This Budget therefore presents a significant deficit and results, according to the government, from factors such as “stagnant economic activity, low runoff in Hydro-Québec's basins, massive government investment in public services—in particular to improve working conditions for public and parapublic sector employees—stronger-than-expected demographic growth and the pace of infrastructure investments [...]”. Furthermore, with growth now expected to hover around 0.6% for 2024, while forecast GDP growth was 1.4% in the last budget for that year, the Quebec government will be in a deficit until 2029-2030.

Let's keep in mind though that the *Balanced Budget Act*, updated in December 2023, gives the government greater flexibility in balancing its finances. This is why, for reasons including a significant deterioration in economic conditions, the government can henceforth postpone the return to a balanced budget. However, it now intends to table its plan when the 2025-2026 budget is published, with the aim of achieving a zero deficit by 2029-2030, i.e., two years later than originally planned when this objective was announced in the 2023 Budget.

As a result, the deficit for 2024-2025 would not be \$2.9 B as announced in November 2023 at the time of the government's economic update, but closer to \$11 B. So, instead of returning to a balanced budget in 2027-2028, public finances are expected to record a deficit of \$3.9 B over the same period.

Health and education at the heart of the budget...

It comes as no surprise that health and education are a priority in this budget. An amount of \$5 B will be injected over five years in the State's two main missions, including:

- \$1.8 B for improving access to care and services and increasing hospital fluidity;
- \$1.1 B for ensuring the continuity and quality of care and services for seniors;
- \$819 M for fostering the educational success of young people; and
- \$421 M for promoting success in higher education.

... and a few measures for businesses and the economy

Despite the government's extremely limited margin for financial manoeuvre and the significant support for the Budget's two main priorities, we are bound to recognize that the Budget is providing close to \$1.9 B over five years for economic priorities divided into four main areas.

These amounts comprise investments for supporting **strategic sectors** (\$443 M) including measures such as:

- Setting up industrial laboratories in innovation zones (\$125 M);
- Promoting the adoption of new technologies and research (\$203.6 M);
- Growing Quebec's aerospace sector (\$74.5 M).

In parallel, only \$9 M will be injected over three years to support entrepreneurship and succession despite the fact that this is a very important issue.

Second, with regard to measures for growing the **available labour pool** and productivity in the **construction industry**, the Budget plans on investing \$126 M.

Third, with a view to contributing to the **prosperity of the regions** (\$888.5 M), the Budget provides investments for:

- Supporting Quebec's forestry sector (\$347.5 M);
- Boosting mobility and vitality in the regions (\$337.1 M), including only \$27 M more for supporting regional air service;
- Supporting the development of the bio-food sector (\$107.5 M).

Fourth, to facilitate **immigrants' economic and social integration** (\$400 M), an amount of \$320 M will be injected to respond to the significant increase in the francization clientele and enhance the offer of services for certain clientele.

Adjusting certain tax assistance measures for businesses

Lastly, the Budget plans on generating savings of \$874.5 M by 2028-2029 by amending the tax credits supporting jobs in the IT sector, that is, the tax credit for the development of e-business (TCEB) and the tax credit for the production of multimedia titles (TCMT). As such, "to improve fairness in the assistance offered and optimize the impact of tax credits targeting sectors that are labour intensive from an IT standpoint", the Budget Plan intends to:

- Gradually harmonize the TCEB and TCMT base rates as of 2025;
- Refocus tax assistance to the IT sector on the highest value-added jobs as of 2025; and
- Amend the tax credit for film production services as of 2024.

Furthermore, for tax purposes, the Budget plans on eliminating the tax credit to foster the retention of experienced workers, offered to employers, which will represent a financial gain of \$251.9 M over five years.

For more information on the tax measures announced in this Budget, please continue reading.

BUSINESSES

	CURRENT MEASURES	PROPOSED MEASURES
Tax credit to foster the retention of experienced workers		
Elimination of the tax credit offered to employers	<ul style="list-style-type: none"> ▪ Tax credit on employer contributions paid in respect of workers aged 60 or over ▪ Credit rate for corporations with a total payroll equal to or less than \$1 M: <ul style="list-style-type: none"> – Workers aged 60 to 64: 50% – Workers aged 65 and older: 75% ▪ Credit rate gradually reduced based on total payroll ▪ Maximum credit per employee: <ul style="list-style-type: none"> – \$1,250 for 60-64 year olds – \$1,875 for those 65 years and older 	<ul style="list-style-type: none"> ▪ Credit repealed <ul style="list-style-type: none"> – Applicable to employer contributions attributable to a date after March 12, 2024
Tax credit for the development of e-business (TCEB)		
Introduction of an exclusion threshold on first dollars of salary paid to an employee	<ul style="list-style-type: none"> ▪ No exclusion threshold 	<ul style="list-style-type: none"> ▪ Credit calculated on the salary paid to an employee on top of exclusion threshold ▪ Exclusion threshold per employee equal to basic personal amount applicable for calendar year in which the tax year begins (\$18,056 in 2024)
Removal of limit on eligible wages per employee	<ul style="list-style-type: none"> ▪ Limit of wages eligible for the credit: <ul style="list-style-type: none"> – \$83,333 per employee 	<ul style="list-style-type: none"> ▪ Limit removed
Increase in non-refundable portion of credit	<ul style="list-style-type: none"> ▪ Maximum total credit rate of 30% composed as follows: <ul style="list-style-type: none"> – Refundable credit: 24% – Non-refundable credit: 6% 	<ul style="list-style-type: none"> ▪ Rate of refundable credit gradually reduced to reach 20% in 2028 ▪ Rate of non-refundable credit gradually increased to reach 10% in 2028
<i>Application of measures</i>		<ul style="list-style-type: none"> ▪ Measures applicable to taxation years beginning after 2024 ▪ Change in rate of 1% per calendar year, from 2025 to 2028, applicable to each credit according to start date of taxation year
Tax credit for multimedia titles (TCMT)		
Introduction of an exclusion threshold on first dollars of salary paid to an employee	<ul style="list-style-type: none"> ▪ No exclusion threshold 	<ul style="list-style-type: none"> ▪ Credit calculated on the salary paid to an employee on top of exclusion threshold ▪ Exclusion threshold per employee equal to basic personal amount applicable for the calendar year in which the tax year begins (\$18,056 in 2024)
Removal of limit on eligible wages per employee	<ul style="list-style-type: none"> ▪ Limit of wages eligible for credit: <ul style="list-style-type: none"> – \$100,000 per employee ▪ 20% of employees exempt from limit 	<ul style="list-style-type: none"> ▪ Limit removed

BUSINESSES

	CURRENT MEASURES	PROPOSED MEASURES
Introduction of non-refundable portion of credit	<ul style="list-style-type: none"> ▪ Credit rate (fully refundable): <ul style="list-style-type: none"> – Products marketable in French: 37.5% – Products marketable in other languages: 30% – Others, including vocational training: 26.25% 	<ul style="list-style-type: none"> ▪ Rate of refundable credit gradually reduced to reach the following rates in 2028: <ul style="list-style-type: none"> – Products marketable in French: 27.5% – Products marketable in other languages: 20% – Others, including vocational training: 16.25% ▪ Non-refundable credit rate gradually increased to reach 10% in 2028 (for all categories) <ul style="list-style-type: none"> – Credit can be carried over to three previous years and 20 subsequent years if the corporation is eligible for the TCMT in the year the credit is used
<i>Application of measures</i>		<ul style="list-style-type: none"> ▪ Measures applicable to taxation years beginning after 2024 ▪ Change in rate of 2.5% per calendar year, from 2025 to 2028, applicable to each credit according to start date of taxation year
Refundable tax credit for film production services		
Increase in base credit rate	<ul style="list-style-type: none"> ▪ Credit equal to 20% of eligible production costs 	<ul style="list-style-type: none"> ▪ Credit rate increased to 25% of eligible production costs
Introduction of a restriction applicable to contracts relating to computer-aided special effects and animation	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Introduction of a 65% restriction on the portion of the cost of a contract concluded with a service provider relating to computer-aided special effects and animation
<i>Application of measures</i>		<ul style="list-style-type: none"> ▪ Measures applicable in respect of a qualified production for which an application for an approval certificate will be submitted to the SODEC: <ul style="list-style-type: none"> – After March 12, 2024, if the SODEC deems that work on the production was not sufficiently advanced on this day – After May 31, 2024 in other cases
Refundable tax credit for Quebec film and television production		
Tax credit enhancement	<ul style="list-style-type: none"> ▪ Credit base rates varying from 28% to 40% (subject to enhancements) of qualified labour expenditures <ul style="list-style-type: none"> – Qualified expenditure limit: 50% of production costs incurred and directly attributable to the film production 	<ul style="list-style-type: none"> ▪ Increase in the limit of qualified labour expenditures <ul style="list-style-type: none"> – Limit of 65% of production costs incurred and directly attributable to the film production ▪ Applicable to eligible production for which an application for an advance ruling or certificate is filed with the SODEC after March 12, 2024

BUSINESSES

	CURRENT MEASURES	PROPOSED MEASURES
Tax credit for the production of biofuel and tax credit for the production of pyrolysis oil in Quebec		
Easing of the notion of government assistance for the purposes of these refundable tax credits	<ul style="list-style-type: none"> ▪ Tax credits reduced by all government and non-government assistance attributable to the eligible production of biofuel and pyrolysis oil <ul style="list-style-type: none"> – The notion of government assistance includes the value of compliance credits granted under the Clean Fuel Regulations 	<ul style="list-style-type: none"> ▪ Retroactive carry over of the implementation of this measure with respect to compliance credits <ul style="list-style-type: none"> – Value of compliance credits considered to be government assistance only as of a taxation year that starts after December 31, 2027

INDIVIDUALS

	CURRENT MEASURES	PROPOSED MEASURES
Refundable tax credit granting an allowance to families (“Family Allowance”)		
Change to supplement for handicapped children (SHC)	<ul style="list-style-type: none"> ▪ Monthly supplement of \$229 per eligible handicapped child <ul style="list-style-type: none"> – Assessment of an impairment as certified by a professional – Various presumed cases of handicap related to an impairment or mental function disability provided for in the Regulation 	<ul style="list-style-type: none"> ▪ Replacement of attestation with a professional’s assessment report including several criteria ▪ New list of presumed cases of handicap related to a mental function disability
Change to supplement for handicapped children requiring exceptional care (SHCREC)	<ul style="list-style-type: none"> ▪ Eligibility criteria for supplement divided into two tiers that determine monthly supplement amount: <ul style="list-style-type: none"> – First tier: \$1,158 – Second tier: \$770 ▪ Child eligible for first tier in the two following situations: <ul style="list-style-type: none"> – Child of two or more years with serious and multiple disabilities during a foreseeable period of at least one year – Any child whose state of health requires complex medical care at home 	<ul style="list-style-type: none"> ▪ New situation added to first tier of supplement: <ul style="list-style-type: none"> – Child of less than two years with serious, multiple and persistent disabilities who is in either of the following situations: <ul style="list-style-type: none"> • Serious chronic disease, without known treatment, requiring complex medical care • A disease limiting life expectancy to childhood
<i>Application of measures</i>		<ul style="list-style-type: none"> ▪ Measures applicable in respect of: <ul style="list-style-type: none"> – Applications filed with Retraite Québec after June 30, 2024 – Decisions rendered for any SHC application after June 30, 2024, following a reassessment of the child’s condition – Any SHCREC application filed before July 1, 2024 for which no decision has been rendered prior to this date
QPP disability benefits		
Elimination of the retirement pension reduction when individuals accumulating pensions reach 65 years of age	<ul style="list-style-type: none"> ▪ Possibility for individuals to receive, as of 60 years of age, a disability pension and a reduced retirement pension ▪ When individuals reach 65 years of age, they stop receiving the disability pension, and continue to receive a reduced retirement pension 	<ul style="list-style-type: none"> ▪ When individuals reach 65 years of age, they stop receiving the disability pension, but the retirement pension will be increased in the amount they would have received had they retired at that age ▪ Applicable as of January 1, 2025

TAXES AND OTHER MEASURES

	CURRENT MEASURES	PROPOSED MEASURES
Roulez vert Program		
Gradual phase-out of rebates	<ul style="list-style-type: none"> ▪ Rebates of \$500 to \$7,000 based on vehicle type ▪ Rebates of \$600 for a home charging station 	<ul style="list-style-type: none"> ▪ Rebates gradually phased out as follows (based on vehicle type): <ul style="list-style-type: none"> – 2025: from \$0 to \$4,000 – 2026: From \$0 to \$2,000 – 2027: No rebate ▪ \$600 rebate for charging station remains unchanged
Determination of sale price of used vehicles for QST purposes		
Increase in the number of years covered by the Guide d'Évaluation Hebdo for determining the market value	<ul style="list-style-type: none"> ▪ QST payable generally calculated on the greater of the sale price agreed upon and the average wholesale price (determined by the Guide) ▪ The average wholesale price listed in the Guide covers a period of nine years 	<ul style="list-style-type: none"> ▪ Period covered by the Guide increased from 9 to 14 years ▪ Applicable as of January 1, 2025
Change to the rule for determining the market value of a vehicle brought into Quebec following its transfer, outside Quebec, between related individuals	<ul style="list-style-type: none"> ▪ Estimated value rule applicable <ul style="list-style-type: none"> – QST calculated on the greater of the price paid and estimated value 	<ul style="list-style-type: none"> ▪ Estimated value rule not applicable <ul style="list-style-type: none"> – QST calculated on price paid ▪ Applicable in respect of used road vehicles brought into Quebec after March 12, 2024
Specific tax on tobacco products		
Increase in tax	<ul style="list-style-type: none"> ▪ Tax of 18.9 cents per cigarette, per gram of loose tobacco or leaf tobacco or stick tobacco ▪ Tax of 29.07 cents per gram of any tobacco other than cigarettes, loose tobacco or leaf tobacco or cigars 	<ul style="list-style-type: none"> ▪ Tax increased to: <ul style="list-style-type: none"> – 19.9 cents as of March 13, 2024 – 20.9 cents as of January 6, 2025 ▪ Tax increased to: <ul style="list-style-type: none"> – 30.61 cents as of March 13, 2024 – 32.15 cents as of January 6, 2025