



HIGHLIGHTS FROM THE QUEBEC BUDGET

Minister of Finance Eric Girard tabled the 2021-2022 Quebec provincial budget on March 25, 2021.

In 2021-2022, the budget shows a deficit of \$12.3 billion. Provisions for economic risks and other support and stimulus measures of \$1.3 billion in 2021-2022 and 2022-2023, of \$750 million in 2023-2024 and of \$500 million annually thereafter are included in the financial framework. The return to a balanced budget is expected in 2027-2028.

Revenues will reach \$122.6 billion in 2021-22, representing growth of 1.9%. Spending will be \$125.5 billion in 2021-22, prior to Covid-19 support & recovery expenditures and deposits to the Generations Fund. Consolidated spending growth is projected to reach 5.9% in 2021-2022.

The following pages are a summary of the changes announced in the budget. Please note that these changes are proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

There were no changes to personal income tax rates announced in the budget. Tax brackets and other amounts have been indexed by 1.26% to recognize the impact of inflation. The table below shows Quebec tax rates and brackets for 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$45,105	15%
\$45,106 – \$90,200	20%
\$90,201 – \$109,755	24%
Over \$109,756	25.75%

Below are the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	53.31%
Capital gains	26.65%
Eligible dividends	40.1%
Non-eligible dividends	48.02%

Improve services and care for seniors

By 2026, the government is planning nearly \$2 billion in additional funding to provide stronger support to families.

Improvement of the tax credit for home support

The government is announcing the gradual increase from 35% to 40% of the refundable tax credit for home support services for seniors aged 70 and over as well as the increase in the assistance granted to seniors living in apartment buildings, which represents a cost of \$394 million dollars over five years.

This improvement will benefit more seniors with lower incomes and greater loss of autonomy.

Lump sum for each full-time student

The Minister announces that each full-time college or university student will receive a lump sum of \$100 per session for fall 2020 and winter 2021.

He also announced the elimination for one year of interest on student loans, from April 1, 2021 to March 31, 2022, in order to reduce student debt.

Change to the rate of the dividend tax credit for non-eligible dividends

The government announces that the rate of the non-eligible dividend tax credit, which is currently 4.01% of the dividend grossed-up amount will be reduced to 3.42% of a dividend grossed-up amount received or deemed received after December 31, 2021.

CORPORATE TAX MATTERS

Corporate income tax rates

The government announced a lower tax rate for small businesses effective April 1, 2021. The table below shows Quebec tax rates and the small business limit for 2021.

CATEGORY	2021 TAX RATES
General rate	11.5%
Manufacturing and processing rate	11.5%
Investment income rate	11.5%
Small business rate	4/3.2%*
Small business without 5,500 hours	11.5%
Small business limit	\$500,000

*4% until March 31, 2021, dropping to 3.2% until December 31, 2021.

Below are the combined federal and provincial corporate income tax rates for 2021 for various types of income earned by a Canadian-controlled private corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	13/12.2%
Small business without 5,500 hours	20.5%
Active income over \$500,000	26.5%
Manufacturing and processing income	26.5%
Investment income	50.17%

*13% until March 31, 2021, dropping to 12.2% until December 31, 2021.

The doubling of investment and innovation tax credit rates (C3i)

In order to encourage businesses to accelerate their new technology investment projects, the government is announcing that the C3i rates will be doubled up to December 31, 2022. That means the rates will go:

- From 10% to 20% for investments in the Montreal and Quebec City metropolitan communities
- From 20% to 40% for investments in territories where economic vitality is low
- From 15% to 30% for investments in other territories or regions

This temporary improvement will encourage more than 10,000 companies in all sectors of activity to accelerate the realization of their plans to acquire new technologies.

The reduction in the tax rate for SMEs

The government announces reduction of the SME income tax rate from 4% to 3.2%, effective April 1, 2021.

Temporary enhancement of the tax credit for on-the-job training

To facilitate the integration of students and apprentices into the labour market, the tax credit rates, other than the enhanced rates applicable when an eligible intern is enrolled in an educational program or a prescribed program, will be increased by 25%.

The legislation will also be amended to enhance the basic and enhanced rates of the tax credit for on-the-job training that may be claimed by a corporation or an individual.

These changes will apply in respect of an eligible expenditure incurred after March 25, 2021 and before May 1, 2022 in respect of a qualifying educational work placement that begins after March 25, 2021.

Improvement of the tax holiday for large investment projects

The government is announcing the enhancement of the tax holiday for large investment projects, in particular by making any digital transformation project eligible for the tax holiday until December 31, 2024.

OTHER INITIATIVES

Support for strategic sectors

The government will devote \$167 million to renewing aerospace and aluminum development strategies. These resources will also help develop the battery sector and highlight critical and strategic minerals.

Create wealth through innovation

In order to create wealth through innovation, the government will support the implementation of innovative projects, invest in infrastructure and research centres and support innovation in the forestry industry, in the tourism sector and in cybersecurity. These sums will also be used to continue the deployment of innovation zones.

Supporting the training and requalifying of workers

Workforce requalification efforts aim to reorient some workers towards sectors where the needs are particularly pressing.

The additional resources allocated by the government will make it possible to support the training of workers wishing, in particular, to move into information technology, childcare services, community organizations and the construction sector supporting the development of green industrial sectors.

WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

For more information, we encourage you to speak to your advisor and visit [ci.com](https://www.ci.com)

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