

Budget 2020-2021 — Québec
« An ambitious Québec »

On March 10, 2020, Québec Finance Minister Eric Girard has published the Québec budget for the period of 2020-2021. This budget is said to be balanced and focuses on measures related to the culture, the province's goal toward a green economy and Quebecers well-being.

Although various tax measures have been announced as part of the budget, the ones that are more relevant for our investors have been selected and are summarized below:

1.1 Tax measures relating to individuals

- a. As part of the 2020-2021 Quebec budget, no changes have been announced with regards to the personal income tax rates for the 2020 taxation year.
- b. New: Refundable tax credit for caregivers

For many years now, taxpayers acting as caregivers have been able to benefit from some tax assistance in the form of tax credits in relation to their role as caregivers. The tax credits that could be claimed were based on various factors including the relationship between the caregiver and care receiver, the fact that the caregiver was co-residing or not with the care receiver or the age of the care receiver.

With an objective to simplify the tax assistance measures granted to caregivers and bonify such measures, the Québec government has introduced a new refundable tax credit for caregivers which will replace any previous tax credits with regards to caregivers that could be claimed up to December 31, 2019.

i. Tax credit parameters

The refundable tax credit for caregivers will comprise two components:

- 1- A universal tax assistance amount of \$1,250 that will be granted to an individual who qualifies as a caregiver with regards to an individual who qualifies as an "eligible care receiver" with whom the caregiver co-resides.

Generally speaking, an “eligible care receiver” could be one of the following individuals:

- The spouse (must have a severe and prolonged impairment and requires assistance in carrying out a basic activity of daily living) of the caregiver, if aged of at least 18 years, but under 70 years;
- A family member (must have a severe and prolonged impairment and requires assistance in carrying out a basic activity of daily living) aged of at least 18 years old;
- An individual (must have a severe and prolonged impairment and requires assistance in carrying out a basic activity of daily living) not related to the caregiver, if a professional of the health and social services network certifies that the caregiver is genuinely involved with the eligible care receiver;
- An individual aged of 70 years or more (excluding the caregiver’s spouse).

2- An additional tax assistance up to an amount of \$1,250 can be granted to a caregiver who does not reside with the “eligible care receiver”. Nevertheless, it should be noted that this additional amount will be reduced proportionally at a rate of 16% for each dollar of income earned by the “eligible care receiver” in excess of a predetermined threshold. For the 2020 taxation year, this threshold has been established at \$22,180 which means that once the “eligible care receiver’s” income reaches \$29,993, no tax credit will be available to the caregiver.

c. Elimination of other caregiver-related tax credits

Considering the introduction of the refundable tax credit for caregivers, the Québec government has decided to eliminate two other tax credits that were aiming at granting tax assistance to caregivers who incur expenses to obtain respite with regards to a care receiver and volunteers that offer respite services to caregivers with regards to a care receiver. The tax credits that will no longer be applicable are the ones that follow:

- Tax credit for respite of caregivers
- Tax credit for volunteer respite services

Qualifying taxpayers will be able to claim these tax credits for the 2020 taxation year, but as of January 1, 2021, they will be eliminated. Furthermore, it should be noted that where a caregiver would qualify for both the new refundable tax credit for caregivers and one of the preceding respite services tax credits with regard to the same “eligible care receiver”, the caregiver will be able to claim only one of them.

Finally, following the introduction of the new tax credit, where a caregiver would have incurred expenses related to respite services, the tax assistance amount previously mentioned could be eligible to an additional amount, providing the expenses are qualifying respite services.

2.1 Tax measures relating to corporations

Although no tax measures with regards to corporations have been selected as part of this summary, it is worth mentioning that no additional changes have been announced as part of the 2020-2021 budget with regards to corporate income tax rates.

The corporate income tax rates for the 2020 taxation year are as follows:

2020 CORPORATE INCOME TAX RATES — CORPORATIONS

TYPE OF INCOME	Federal	Québec	Combined
CCPC — active 500k (*)	9,0%	5,0%	14,0%
CCPC — active	15,0%	11,5%	26,5%
CCPC — active 500k + M&P (**)	9,0%	4,0%	13,0%
CCPC — passive income	38,7%	11,5%	50,2%
Other	15,0%	11,5%	26,5%

(*) **In Québec**, to be entitled to the full small business deduction (“SBD”), the corporation must have paid a minimum of 5,500 work hours to its employees for a given taxation year. Where a corporation pays between 5,500 and 5,000 work hours to its employees, the SBD decreases proportionally and is completely eliminated when the work hours paid are under 5,000.

(**) **In Québec** corporations carrying businesses in the manufacturing and processing (“M&P”) sectors are granted an additional reduction with regards to the SBD of 1%.

For any additional questions or concerns with regards to the 2020-2021 Québec budget, please do not hesitate to contact a member of the Tax and Estate team.