



TaxNewsFlash

Canada

Highlights of the 2022 Quebec Budget

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Quebec's Finance Minister Eric Girard delivered the province's 2022 budget on March 22, 2022. The budget anticipates a deficit of \$7.4 billion for 2021-2022 and a deficit of \$6.45 billion for 2022-23. The government expects the budget balance to be restored for fiscal 2027-2028.

The budget does not include any corporate or personal tax rate changes. However, it does introduce a refundable tax credit granting a one-time amount to mitigate the increase in the cost of living and a refundable tax credit for the production of biofuel in Quebec. The budget also contains a one-year extension of the temporary increase in the tax credit relating to investment and innovation and extends the eligibility period for certain other credits.

Corporate tax changes

Corporate income tax rates

The budget does not include any changes to the province's corporate tax rates. As a result, Quebec's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2022		
	Quebec	Combined Fereal and Quebec
General	11.5%	26.5%
M&P	11.5%	26.5%
Small business ¹	3.2%	12.2%

¹ Generally on first \$500,000 of active business income.

Extension of the temporary increase in the C3i

The budget extends the temporary increase to the tax credit relating to investment and innovation (C3i) for one year, until December 31, 2023. Thus, under certain conditions, for the period beginning on March 26, 2021 and ending on December 31, 2023, C3i rates are raised as follows:

- To 20% (from 10%) for investments in the Montreal and city of Quebec metropolitan communities
- To 40% (from 20%) for investments in territories where economic vitality is low
- To 30% (from 15%) for investments in other territories or regions.

Refundable tax credit for the production of biofuel in Quebec

The budget notes that Quebec will not renew its refundable tax credits for the production of ethanol in Quebec, for cellulosic ethanol production in Quebec, and for the production of biodiesel fuel in Quebec, which expire on March 31, 2023.

The budget introduces a refundable tax credit for the production of biofuel in Quebec.

In summary, a qualified corporation will be able to claim this tax credit in respect of eligible biofuels that it produces in Quebec for sale and use in Quebec, up to a maximum of 300 million litres per year. The credit will be granted for the production of biofuels eligible for tax assistance under the current terms of the Quebec tax system (that is, ethanol, cellulosic ethanol and biodiesel fuel) as well as for the production of other low-carbon-intensity fuels produced from eligible materials such as organic matter, except for biofuels used to power aircraft, boats or ships.

The rate of the tax credit will be determined according to factors that include the carbon intensity of the biofuel. The tax credit will be available from April 1, 2023 to March 31, 2033.

Extension of and changes to the refundable tax credit for the production of pyrolysis oil in Quebec

The budget proposes to extend the refundable tax credit for the production of pyrolysis oil in Quebec for a period of ten years, until March 31, 2033. In addition, the budget makes certain changes to the credit effective April 1, 2023, including to provide that the assistance granted for each litre of qualifying biofuel or pyrolysis oil will be calculated based on the carbon intensity reduction of that biofuel or pyrolysis oil as compared to the fossil fuel it replaces. The budget also raises the annual production cap to 300 million litres.

Personal tax changes

Personal income tax rate

The budget does not include any changes to the province's personal tax rates. As a result, the province's personal income tax rates remain as follows:

Combined Federal and Quebec Top Marginal Tax Rates for Individuals	
	2022
Interest and regular income	53.31%
Capital gains	26.65%
Eligible dividends	40.11%
Non-eligible dividends	48.70%

Introduction of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living

The budget announces that an eligible individual will be entitled, in the 2022 calendar year, to the payment of an amount of up to \$500, in the form of a one-time amount granted through a refundable tax credit.

This amount will decrease where individual net income exceeds \$100,000 for the 2021 calendar year. Where the individual's personal net income for the 2021 calendar year exceeds \$100,000, but does not exceed \$105,000, the one-time \$500 amount will be reduced based on a 10% rate applicable to the amount by which the individual's personal net income for the 2021 calendar year exceeds \$100,000.

To be entitled to the credit, the individual must have filed an income tax return for the 2021 calendar year with Revenu Quebec. Revenu Quebec will process income tax returns for the 2021 calendar year by adding the refundable tax credit.

Making permanent the tax credit for a major cultural gift

The budget makes permanent the tax credit for a major cultural donation by removing the deadline to make a donation.

This tax credit, of up to \$6,250, is available to individuals, under certain conditions, for only one major cultural donation made to an eligible cultural donee.

Extension of the refundable tax credit for the upgrading of residential waste water treatment systems

The budget extends the eligibility period for the refundable tax credit for the upgrading of residential waste water treatment systems by five years. Thus, the period during which a service agreement may be entered into with a qualified contractor will be extended until March 31, 2027.

Renewing the elimination of interest on student loans for 2022-2023

The budget renews the elimination of interest on student loans for the period from April 1, 2022 to March 31, 2023.

Other tax changes

Amendment to the rules governing the interruption of the limitation period

The budget also removes “compensation” as a reason to interrupt the limitation period for certain taxpayers. This change may apply when a taxpayer entitled to a refund under a fiscal law is also a debtor under such a law (or is about to be), and Revenu Quebec applies the refund to pay the tax debt of that taxpayer.

This measure will apply to allocations of refunds made on or after a date to be determined by the government after the bill giving effect to this measure is assented to.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year’s Quebec budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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