



TaxNewsFlash

Canada

Highlights of the 2024 Quebec Budget

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Quebec's Finance Minister Eric Girard delivered the province's 2024 budget on March 12, 2024. The budget anticipates a deficit of \$4.2 billion for 2023-24 and projects deficits of \$8.8 billion for 2024-25 and \$6.3 billion for 2025-26. Although the budget does not include any new changes to the corporate or personal tax rates, it introduces changes to the refundable tax credit granting an allowance to families and to the tax credits for the development of e-business. The budget also includes various changes to other corporate tax credits and announces a gradual elimination of the rebates on the purchase of electric vehicles.

Corporate tax changes

Corporate income tax rates

The budget does not announce 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, 2024		
	Quebec	Combined Federal and Quebec
General	11.5%	26.5%
M&P	11.5%	26.5%
Small business ¹	3.2%	12.2%

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

Tax credits for the development of e-business

The budget modifies the refundable and non-refundable tax credits for the development of e-business. These tax credits generally assist businesses in the information technology sector that carry out e-business activities and are made up of a 24% refundable and 6% non-refundable tax credit rate. The credits are calculated based on qualified wages (of up to \$83,333) incurred and paid by a qualified corporation.

The budget introduces an exclusion threshold per eligible employee in the calculation of the tax credits, eliminates the current \$83,333 limit applicable to the qualified wages of an eligible employee and increases the non-refundable tax credit by 1% per year so that it eventually reaches 10% (from 6%) and correspondingly reduces the refundable tax credit by 1% so that it eventually reaches 20% (from 24%). These changes will apply for both refundable and non-refundable tax credits, in respect of a taxation year beginning after December 31, 2024.

Tax credits for the production of multimedia titles

The budget introduces various changes to the refundable tax credits for multi-media. Currently, there are two refundable tax credits available and the amount of assistance a qualified corporation may receive is determined on the basis of qualified labour expenditures incurred by a corporation. The qualified labour expenditure cannot exceed \$100,000 per eligible employee. The current rates of the tax credits for the production of multimedia titles are between 37.50% and 26.25% depending on the category of titles applicable (e.g., multimedia title to be commercialized and available in French, multimedia title to be commercialized, not available in French, and other multimedia title).

The budget:

- Introduces an exclusion threshold per eligible employee
- Removes the \$100,000 limit currently applicable to the qualified labour expenditure
- Introduces a non-refundable tax credit for each credit whose initial credit rate will be 2.5% starting in 2025, and which will increase by 2.5% per year until it reaches 10% in 2028, and correspondingly reduce the refundable tax credit by 2.5% starting in 2025 until 2028.

These changes will apply in respect of a taxation year that begins after December 31, 2024.

Tax credit to foster the retention of experienced workers

The budget cancels the refundable tax credit available to qualified corporations or qualified partnerships that employ individuals aged 60 or over. This change is effective for employer contributions relating to salary, wages or other remuneration paid after March 12, 2024.

Changes to other credits

The budget introduces various changes to the following credits:

- Refundable tax credit for Quebec film or television productions
- Refundable tax credit for film production services
- Tax credit for the production of biofuel
- Tax credit for the production of pyrolysis oil.

Personal tax changes

Personal income tax rates

The budget does not announce changes to personal tax rates. As a result, Quebec's personal income tax rates effective January 1, 2024 are as follows:

Personal Combined Federal/Quebec Top Marginal Rates	
	2024
Interest and regular income	53.31%
Capital gains	26.65%
Eligible dividends	40.11%
Non-eligible dividends	48.70%

Tax credit granting an allowance to families

The budget introduces various changes to the refundable tax credit granting an allowance to families. This tax credit has three main components: a basic amount for child support, a supplement for certain disabled children (known in Quebec as the Supplement for Handicapped Children (SHC)) and a supplement for certain disabled children that require additional care (known in Quebec as the Supplement for Handicapped Children Requiring Exceptional Care (SHCREC)). The SHC and SHCREC supplements are additional assistance available to eligible families, regardless of their family income.

For the purpose of the SHC, the budget changes the parameters to assess for an impairment and provides revised tables for presumed cases of serious disabilities related to impairments.

The SHCREC generally grants additional financial assistance to parents of a child with a serious illness or severe disabilities. The budget amends the computation of the SHCREC so that an eligible dependent child will include a child who qualifies for the SHC and who is under two years of age at the beginning of the particular month.

These changes will apply in respect of any SHC or SHCREC application filed with Retraite Quebec after June 30, 2024.

Quebec Pension Plan

A person eligible for a disability pension who reaches the age of 60 can apply for their retirement pension, which is reduced based on the number of months the pension is received prior to turning 65. When they reach the age of 65, they stop receiving the disability pension, but continue to receive a reduced retirement pension for the rest of their life. The budget eliminates the retirement pension reduction for seniors with disabilities reaching the age of 65, starting January 1, 2025.

Indirect tax changes

Specific tax on tobacco products

The budget announces two increases in the specific tax on tobacco products.

The first rate change, effective March 13, 2024, increases the specific tax on tobacco products to:

- 19.9 cents per cigarette (from 18.9 cents)
- 19.9 cents per gram of loose tobacco or leaf tobacco (from 18.9 cents)
- 30.61 cents per gram (from 29.07 cents) of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars; the minimum rate applicable to tobacco sticks will also be raised from 18.9 to 19.9 cents per stick.

The second rate change, effective January 6, 2025 increases the specific tax on tobacco products to:

- 20.9 cents per cigarette (from 19.9 cents)
- 20.9 cents per gram of loose tobacco or leaf tobacco (from 19.9 cents)
- 32.15 cents per gram (from 30.61 cents) of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars; the minimum rate applicable to tobacco sticks will also be raised from 19.9 to 20.9 cents per stick.

Value of used road vehicles

The Quebec sales tax (QST) system includes rules to determine the market value with respect to transactions relating to the sale of used road vehicles. The budget expands , the list of average wholesale prices in the *Guide d'Évaluation Hebdo* (Automobiles et Camions Legers) to cover a 14-year period (from a nine-year period) starting on January 1, 2025.

Bringing a road vehicle into Quebec

The budget amends the QST system so that the estimated value rule will not apply to a used vehicle brought into Quebec following its transfer, outside Quebec, between related

individuals. This change will apply in respect of used vehicles brought into Quebec after March 12, 2024.

Other tax changes

Electric vehicles rebates (Roulez vert program)

The budget reduces the rebates offered by the Quebec government for the purchase of fully electric and plug-in hybrid vehicles under the Roulez Vert program.

Starting on January 1, 2025, the maximum rebates for the purchase of an electric vehicle will be reduced as follows:

- \$4,000 (from \$7,000) for new fully electric or fuel cell vehicles and \$2,000 (from \$5,000) for new plug-in hybrid vehicles costing less than \$65,000
- \$2,000 (from \$3,500) for used fully electric vehicles and \$1,000 (from \$2,000) for electric motorcycles.

These rebates will be further reduced until completely eliminated as of January 1, 2027 as follows:

Type of vehicle	Until Dec 31, 2024	Jan 1, 2025	Jan 1, 2026	Jan 1, 2027
New fully electric or fuel cell vehicles	\$7,000	\$4,000	\$2,000	—
New plug-in hybrid vehicles	\$5,000	\$2,000	\$1,000	—
Used fully electric vehicles	\$3,500	\$2,000	\$1,000	—
Electric motorcycles	\$2,000	\$1,000	\$500	—
Limited-speed electric motorcycles	\$500	—	—	—
Home charging stations ¹	\$600	\$600	\$600	\$600

¹ The maximum rebate is \$5,000 on workplace or multi-unit residential building charging stations.

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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