

GMS Flash Alert

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Canada - Finance Quebec Moves Forward Elimination of Health Contribution

Finance Quebec has announced in a new bulletin that it will be eliminating the health contribution as of January 1, 2017, which is two years ahead of schedule.¹

According to the bulletin, which was published on October 25, 2016:

- The Act respecting the *Régie de l'assurance maladie du Québec* will be amended so that taxpayers are no longer required to pay a health contribution as of 2017.
- The Quebec income tax source deduction table and the formulas for calculating source deductions will be changed accordingly as of January 1, 2017.

WHY THIS MATTERS

Assignees to Quebec subject to the health contribution and assignees from Quebec still subject to the health contribution will see a slight increase in their paychecks from January 1, 2017, as the health contribution will no longer be due. Payroll administrators should be planning for the appropriate adjustments to their procedures and systems. With assignees no longer subject to the health contribution, the costs of international assignments to and from Quebec should be lower.

Background

Since January 1, 2013, a progressive health contribution has been in effect in Quebec, based on individual net income.

As it is currently applied, in general, an individual must pay a health contribution if:

- he or she was resident in Québec on December 31, 2015, and
- he or she was 18 or older on December 31, 2015 (or on the day he or she ceased to be resident in Canada in 2015).

The health contribution is deducted at source by employers when calculating employee source deductions. The amount of the health contribution is reported on the RL-1 slip and included with income tax withholdings. The contribution is calculated/applied as shown in the table below. (All dollar amounts show are Canadian dollars.)

Individual Net Income	Contribution Amount 2016	Contribution Amount 2017
Up to \$18,705	no premium	no premium
over \$18,705 up to \$41,560	(income - \$18,705) x 5%, to a maximum of \$50	no premium
over \$41,560 up to \$135,060	\$50 + (income - \$41,560) x 5%, to a maximum of \$175	no premium – prior to elimination it would have been: (income - \$41,560) x 5%, to maximum of \$70
over \$135,060	\$175 + (income - \$135,060) x 4%, to a maximum of \$1,000	no premium – prior to elimination it would have been: \$70 + (income - \$135,060) x 4%, to maximum of \$800

The health contribution reduction plan was originally announced as part of Quebec's 2015-2016 budget. The plan was then modified in the 2016 provincial budget to eliminate the health contribution in 2018, but with plans for a progressive elimination in 2016 and 2017 for lower-income taxpayers, and the 2018 date applying to all other taxpayers. With this bulletin, the process has been accelerated significantly.

KPMG NOTE

Next Steps for Employers/Employees

According to Information Bulletin 2016-11, individuals in Quebec who pay their income tax in installments should consider adjusting payments that are due after December 31, 2016, in order to take into account the effects of the complete elimination of the health contribution in 2017.

What the Quebec Government Says About the Impact

According to the government's press release, this measure is expected to benefit 4.5 million taxpayers, representing an annual reduction of the overall tax burden of almost \$760 million.²

FOOTNOTES:

- 1 See (in French): http://www.finances.gouv.qc.ca/documents/bulletins/fr/BULFR_2016-11-f-b.pdf .
- 2 See (in French): <http://www.budget.finances.gouv.qc.ca/budget/outils/allegement-fiscal-detail.asp> .

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This article is excerpted, with permission, from "[Finance Quebec Announces the Health Contribution Will End as of January 1, 2017](#)" (8 November 2016), a publication of the KPMG International member firm in Canada.

New Video from KPMG's GMS Practice – *U.S. Social Security for International Assignees: Impact of Social Security Totalization Agreements*

Prior to accepting an international assignment, employees frequently have questions about the impact of taking an assignment on their social security contributions and entitlement to future benefits. In this new video from KPMG LLP's Global Mobility Services practice, the spotlight is on:

- the impact an international assignment may have on an assignee's Social Security contributions and benefits, and
- how totalization agreements work in the context of international assignments and cross-border workers, as well as their impact on the employer's international assignment-related costs.

We invite you to watch our new video: "[U.S. Social Security for International Assignees: Impact of Social Security Totalization Agreements](#)" – app. 7 minutes, 22 seconds).

Contact us

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The information contained in this newsletter was submitted by the KPMG International member firm in Canada.

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