

**FISCAL MEASURES ANNOUNCED AS PART OF THE PRESENTATION OF
THE *UPDATE ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION***

This information bulletin makes public the fiscal measures announced by the Minister of Finance in the fall 2022 *Update on Québec's Economic and Financial Situation*.

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1. ENHANCEMENT OF THE REFUNDABLE SENIOR ASSISTANCE TAX CREDIT

The refundable senior assistance tax credit was introduced in 2018 when the *Update on Québec's Economic and Financial Situation*¹ was presented. It was intended to provide financial assistance to eligible individuals aged 70 or older (hereinafter referred to as “eligible seniors”²) who must cope with modest incomes.

This tax credit could reach, for the 2018 taxation year, a maximum amount of \$200 in the case of an eligible senior living alone and \$400 in the case of a couple of eligible seniors. The calculation of the tax credit included a mechanism to reduce tax assistance by 5% for each dollar of family income that exceeded the threshold applicable to the eligible senior for the year based on the eligible senior's marital status.

In the fall of 2021, in order to improve the support available to financially vulnerable seniors, the government announced that the refundable senior assistance tax credit would be enhanced as of the 2021 taxation year.³ This enhancement increased the maximum amount to \$400 for an eligible senior living alone and to \$800 for a couple of eligible seniors.

However, the year 2022 was marked by a persistent increase in the level of consumer prices, making the financial situation of many seniors more fragile. In these circumstances, the government is announcing that the refundable senior assistance tax credit will be further enhanced to significantly improve the financial assistance provided to seniors aged 70 and older.

□ Increase in the maximum amount available to a senior

As of the 2022 taxation year, the maximum amount for an eligible senior considered in the calculation of the refundable senior assistance tax credit is increased to \$2 000.

Therefore, an eligible senior, for the purposes of the refundable senior assistance tax credit, will be able to receive, subject to the reduction calculated on the basis of family income, a maximum amount of \$2 000 for the 2022 taxation year, when the eligible senior does not have an eligible spouse for the year.

Where an eligible senior has an eligible spouse who also qualifies as an eligible senior for the purposes of this refundable tax credit, the maximum amount that may be paid for this couple, under the refundable senior assistance tax credit for the 2022 taxation year, will be \$4 000, subject to the reduction based on family income.

In addition, if only one of the spouses qualifies as an eligible senior on December 31, 2022, the maximum amount of the refundable senior assistance tax credit will be \$2 000 for the couple, for the 2022 taxation year, subject to the reduction calculated on the basis of family income.

¹ MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2018-9*, December 3, 2018, pp. 5-8.

² The *Taxation Act* does not define the term “eligible senior”. The term “eligible senior” is used in this information bulletin solely for the purpose of lightening the text.

³ MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2021-8*, November 25, 2021, p. 8.

The family income used to calculate the reduction of the refundable senior assistance tax credit depends on the individual’s marital status. As such:

- an eligible senior living alone will be able to benefit from a refundable tax credit of up to \$2 000 as long as his or her family income, for the 2022 taxation year, does not reach \$64 195, with the 5% reduction rate applying from a family income of \$24 195;
- an eligible senior and his or her eligible spouse, to the extent that the latter qualifies as an eligible senior, will benefit from a refundable tax credit of up to \$4 000 where their family income, for the 2022 taxation year, does not reach \$119 350, with the 5% reduction rate applying from a family income of \$39 350;
- an eligible senior and his or her eligible spouse who does not qualify as an eligible senior will be able to benefit from a refundable tax credit of up to \$2 000 when their family income, for the 2022 taxation year, does not reach \$79 350, with the 5% reduction rate applying from a family income of \$39 350.

Considering the significant enhancement of this financial support, the tax legislation will provide that the maximum amount of the refundable tax credit paid to eligible seniors will no longer be subject to annual indexation as of the 2022 taxation year.

In addition, the tax legislation will introduce, as of the 2023 taxation year, a mechanism for revaluing the current 5% reduction rate applied in calculating the amount of the refundable senior assistance tax credit.

□ New mechanism for revaluing the reduction rate

In order to maintain a certain consistency in the level of tax assistance provided by the refundable senior assistance tax credit, a mechanism for revaluing the applicable reduction rate of 5% will be introduced in the tax legislation for taxation years after 2022.

The following formula will be used to annually revalue the applicable reduction rate:

$$\text{Reduction rate for the applicable taxation year} = \frac{\$4\,000}{(\$119\,350 - A)}$$

For the application of this formula, the letter A corresponds to the family income of a couple at which the reduction rate begins to apply for the taxation year in question.⁴

For example, this family income is \$39 350 for the 2022 taxation year and will be \$41 885 for the 2023 taxation year, since this family income is indexed annually.⁵

It should be noted that, regardless of the marital status of an eligible senior claiming the refundable senior assistance tax credit, the result obtained with the above formula will be used to determine the reduction rate applicable to the eligible senior for a given taxation year. Furthermore, the rate thus obtained must be rounded down to the nearest 1/100⁶.

⁴ The reduction thresholds for the refundable senior assistance tax credit will continue to be indexed annually.

⁵ For the 2023 taxation year, the indexation rate has been set at 6.44%.

⁶ For the 2023 taxation year, the result of the formula will be 5.163622%, so the applicable reduction rate will be 5.16%.

❑ Other terms and conditions of application

For greater clarity, subject to the change relating to the cessation of the indexation of the maximum amount of the refundable senior assistance tax credit and the change relating to the introduction of a mechanism for revaluing the reduction rate, the other terms and conditions of application of this tax credit remain unchanged, including the possibility of sharing the refundable tax credit between spouses and the possibility of benefiting from the automatic payment mechanism of the refundable tax credit.

In addition, since the maximum amount of the refundable senior assistance tax credit is increased as of the 2022 taxation year, it will be paid in the spring of 2023 following the filing of the tax return for the 2022 taxation year.

2. ABOLITION OF THE REFUNDABLE TAX CREDIT FOR SENIORS' ACTIVITIES

The refundable tax credit for seniors' activities was introduced on June 4, 2014,⁷ to encourage seniors aged 70 or older to regularly participate in a structured activity, whether physical, artistic, cultural or recreational.

In summary, this tax assistance is calculated by applying a 20% rate on the lesser of \$200 or the total eligible expenses paid in the year by the eligible individual or the person who is the individual's spouse at the time of the payment. Therefore, the maximum value of this refundable tax credit is \$40 per year.

Given the substantial increase in the maximum amount of the refundable senior assistance tax credit as of the 2022 taxation year,⁸ the refundable tax credit for seniors' activities will be abolished in respect of registration or membership fees paid after December 31, 2022.

3. ADJUSTMENT OF THE EXEMPTIONS ALLOWED FOR THE PURPOSE OF CALCULATING THE PREMIUM PAYABLE UNDER THE PUBLIC PRESCRIPTION DRUG INSURANCE PLAN

The basic prescription drug insurance plan established by the Québec government guarantees all Quebecers fair access to the medications required by their state of health. Coverage under this plan is provided either by the Régie de l'assurance maladie du Québec (RAMQ), as the administrator of the Public Prescription Drug Insurance Plan (PPDIP), or by insurers transacting group insurance or by administrators of private-sector employee benefit plans.

⁷ MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2014-2015 – Additional Information on the Fiscal Measures of the Budget*, June 4, 2014, pp. 25-30.

⁸ See section 1 of this information bulletin.

As a general rule, the RAMQ provides, on the one hand, coverage for individuals who are not required to become members of a group insurance contract, an individual insurance contract concluded on the basis of one or more of the distinctive characteristics of group insurance,⁹ or an employee benefit plan applicable to a determined group of persons and, on the other hand, coverage for those persons whom no one is required to cover.

Adults registered with the RAMQ must make a contribution towards the payment of the cost of pharmaceutical services and drugs supplied to them whenever a prescription is filled or renewed. This contribution, which may not exceed a maximum amount, consists of a deductible amount¹⁰ and a coinsurance payment.¹¹

However, adults whose income consists essentially of social assistance benefits based on an examination of resources, needs or income are exempted from the payment of any contribution. This exemption, which targets the most disadvantaged persons, is geared more specifically to persons eligible for a last resort financial assistance program stipulated in the *Individual and Family Insurance Act*¹² as well as persons aged 65 or over receiving 94% or more of the maximum amount of the monthly Guaranteed Income Supplement under the *Old Age Security Act*¹³ determined without taking into account the amount that may be added to the amount of the supplement since July 2011.

Adults who are not covered throughout a year by a group insurance contract, an individual insurance contract concluded on the basis of one or more of the distinctive characteristics of group insurance or by an employee benefit plan applicable to a determined group of persons must generally pay a premium for that year to finance the PPDIP. For information purposes, for the 2022 calendar year, the maximum premium payable is \$710 per adult.

However, most adults who are exempted from the payment of any contribution for the cost of the pharmaceutical services and drugs provided to them under the PPDIP are also exempted from payment of the premium.

Moreover, to reflect a household's ability to pay, the annual premium payable by an adult is determined on the basis of family income, from which an exemption amount based on the household's composition is subtracted.¹⁴

⁹ The individual insurance contract must be covered by section 42.2 of the *Act respecting prescription drug insurance* (CQLR, chapter A-29.01).

¹⁰ The deductible amount is the portion of the cost of pharmaceutical services and prescription drugs borne entirely by the person covered by the plan during the reference period. For 2022, the deductible amount is \$267, divided into equal monthly amounts.

¹¹ The coinsurance payment is the portion of the cost of pharmaceutical services and medications borne by the person covered by the plan until the maximum contribution is reached. For 2022, the coinsurance percentage is 35%.

¹² CQLR, chapter A-13.1.1.

¹³ R.S.C., 1985, c. O-9.

¹⁴ The amount that must be applied to reduce family income makes it possible to exempt from payment of the premium adults whose family income is below a certain threshold.

Since the introduction of the PPDIP, the amount of these exemptions has been adjusted annually to protect household purchasing power. In addition, to ensure the progressivity of the premium, two contribution rates are applicable. The first rate¹⁵ applies to the first \$5 000 of income covered, and the second rate,¹⁶ to the portion exceeding \$5 000.

Accordingly, to maintain the principles underlying the determination of the amount of the premium payable under the PPDIP, the government will adjust, for 2022, the amount of each of the exemptions currently allowed.

The following table shows the amount of each of the allowable exemptions for 2022, according to household composition.

TABLE 1

Amount of the exemptions allowed for the purpose of calculating the premium payable under the PPDIP for 2022
(dollars)

Household composition	Amount of the exemption
1 adult, no children	17 940
1 adult, 1 child	29 080
1 adult, 2 or more children	32 750
2 adults, no children	29 080
2 adults, 1 child	32 750
2 adults, 2 or more children	36 135

4. AMENDMENT TO THE CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS INVESTMENT REQUIREMENT

Capital régional et coopératif Desjardins was constituted on July 1, 2001 and is governed by the *Act constituting Capital régional et coopératif Desjardins*.¹⁷ Its main mission is to foster investment in the resource regions of Québec and meet the capital needs of cooperatives.

Since the creation of Capital régional et coopératif Desjardins, the government has supported its mission by allowing it to raise capital that provides a tax benefit. This translates into a non-refundable tax credit for individuals who become shareholders and, on a temporary basis, a non-refundable tax credit for those who agree to defer their previously acquired right of redemption for a new mandatory seven-year holding period.

¹⁵ For 2022, the first contribution rate is 7.36%, in the case of a single person, and 3.69% in the case of a person living as a couple.

¹⁶ For 2022, the second contribution rate is 11.05%, in the case of a single person, and 5.53%, in the case of a person living as a couple.

¹⁷ CQLR, chapter C-6.1.

Since the financing of Capital régional et coopératif Desjardins is facilitated by the granting of a tax benefit, several measures have been put in place to govern its organization, to ensure that it respects its mission and to protect the investors it calls upon.

In this regard, the *Act constituting Capital régional et coopératif Desjardins* requires, for each fiscal year, that its eligible investments represent at least 65% of its average net assets for the preceding fiscal year and that investments corresponding to a portion representing at least 35% of this percentage be made in eligible cooperatives or in entities situated in the resource regions of Québec.¹⁸

If it fails to meet its investment requirement for a given fiscal year, Capital régional et coopératif Desjardins is limited in its ability to issue shares in the following fiscal year.

Over the years, various changes have been made to the terms and conditions for calculating the investment requirement, as well as to the list of eligible investments, so that they are better adapted to the capital needs of Québec businesses and allow Capital régional et coopératif Desjardins to play a greater role in the economy.

Currently, for the application of this requirement, eligible investments include, among other things, investments in Québec cooperatives or small and medium-sized businesses, in major projects with a structuring effect on the economy and in certain local venture capital funds established and managed in Québec, as well as interests in certain investment funds constituted as limited partnerships.

On June 29, 2022, the government announced a partnership with the Fonds de solidarité FTQ, Fondation and the Desjardins Group to finance the construction of 3 000 social and affordable housing units across Québec. With a government grant of \$175 million, the Desjardins Group will make 1 000 affordable and social housing units available over a three-year period and ensure their affordability for a period of up to 35 years for the majority of the units.

To enable Capital régional et coopératif Desjardins to support the government's efforts to increase the supply of affordable housing, the *Act constituting Capital régional et coopératif Desjardins* will be amended to enable it to support new affordable housing projects distributed throughout the regions of Québec.

More precisely, its investment requirement will be amended to recognize as an eligible investment an investment, that entails no security or hypothec, made by Capital régional et coopératif Desjardins for the realization of an affordable housing acquisition, construction or renovation project, in which the Fédération des caisses Desjardins du Québec will allocate a portion of a government financial contribution granted by the Minister Responsible for Housing in accordance with an agreement entered into between the Minister and the financial institution for the realization of affordable housing and which sets out the terms and conditions for the granting of such financial contribution.

¹⁸ For the application of the regional component of the investment requirement, the regions of Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay-Lac-Saint-Jean are considered to be resource regions of Québec. In addition, for the application of this component, eligible investments made in an entity situated in certain regional county municipalities (RCMs) outside the resource regions of Québec facing economic difficulties are considered to have been made in entities situated in the resource regions of Québec.

For greater clarity, such eligible investment may be considered to have been made in an entity situated in the resource regions of Québec or in an eligible cooperative, if such is the case.

This amendment will apply to a fiscal year of Capital régional et coopératif Desjardins beginning after December 31, 2022.