

PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2012**

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1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The Taxation Act stipulates automatic indexing of the main parameters of the personal income tax system. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic amount. It also applies to most parameters used to determine tax credits.

Indexing of the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In practical terms, indexing the tax system increases the amount of many deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

□ Indexing rate for taxation year 2012

The indexing rate for 2012 corresponds to the percentage change in the consumer price index for Québec (CPI-Québec), excluding alcohol and tobacco, between the twelve-month period ending September 30, 2011 and the twelve-month period ending September 30, 2010.

According to this formula, the personal income tax system will be indexed by 2.66% for taxation year 2012.

Indexing Formula
<p>The indexing formula stipulated in the Taxation Act is applied by multiplying the parameter to be indexed by the change from A compared to B. The result obtained is rounded according to the applicable rule.</p> <ul style="list-style-type: none">- “A” represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the preceding year.- “B” represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately prior to the preceding year.

2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2012, the Québec government will index the tax system at a cost of \$514 million. Over the period from 2004 to 2012, the cumulative impact will equal in excess of \$2.7 billion.

Impact of indexing the personal income tax system – 2004 to 2012

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Indexing rate in percent	2.0	1.43	2.43	2.03	1.21	2.36	0.48	1.27	2.66
Impact in millions of dollars	235	180	390	340	315 ¹	437	97	239	514
Cumulative impact in millions of dollars	235	415	805	1 145	1 460	1 897	1 994	2 233	2 747

1 This amount reflects the impact of lower indexing than expected on the parameters of the \$950-million general tax reduction.

3. INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE

The indexing of basic benefits of last-resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and child assistance in order to keep the tax system and income security programs in harmony.

□ Work premium

The general work premium is integrated with the last-resort assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last-resort assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to \$2 400 for a household consisting of one adult and \$3 600 for a household consisting of two adults, are exempt from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with severely limited capacity for employment is integrated with the last-resort assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

□ Child assistance

To integrate child assistance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which child assistance begins to reduce with income.

The maximum amounts of child assistance are indexed at the indexing rate of the tax system.

Publication of parameters
<p>Some child assistance and work premium parameters depend on the income threshold from which a household is no longer eligible for last-resort assistance.</p> <p>Considering that this income threshold depends, among other things, on the contribution rate to the Employment Insurance Plan and that this rate will not be known until mid-November, the reduction thresholds for child assistance and those of the work premium and the parameters that depend on them will be made public at a later date.</p>

4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2012, the indexing rate of the Québec tax system (2.66%) will remain comparable with the indexing rates applied by the federal government and the other provinces.

Among the seven provinces that index their tax system, two are expected to post an indexing rate lower than Québec, namely Alberta and British Columbia.

Indexing rates of the federal and provincial personal tax systems – 2004 to 2012
(percent)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ¹
Federal ²	3.3	1.7	2.2	2.2	1.9	2.5	0.6	1.4	2.8
Provinces									
Newfoundland ^{3,4}	—	—	—	1.0	1.1	2.8	0.7	2.0	3.1
Prince Edward Island ⁵	—	—	—	—	—	—	—	—	—
Nova Scotia ⁶	—	—	—	—	—	—	—	—	—
New Brunswick ^{2,7}	—	1.7	2.2	2.2	1.9	2.5	2.0	2.0	2.8
Québec⁷	2.0	1.43	2.43	2.03	1.21	2.36	0.48	1.27	2.66
Ontario ⁴	2.9	1.9	2.2	2.1	1.5	2.3	0.7	1.8	3.3
Manitoba	—	—	—	—	—	—	—	—	—
Saskatchewan ²	3.3	1.7	2.2	2.2	1.9	2.5	0.6	1.4	2.8
Alberta ⁴	6.0	1.3	1.9	3.6	4.7	3.8	0.3	0.9	1.8
British Columbia ⁴	2.6	1.8	2.1	1.9	1.8	2.0	0.4	0.8	2.4

— Means the tax system was not indexed.

1 The federal and provincial, other than Québec, indexing rates are projected by the ministère des Finances du Québec according to the method usually used.

2 The indexing rate is calculated according to the consumer price index for Canada.

3 The indexing rate used for 2007 was 2.0%. However, the indexing rate was applied only as of July 1, 2007. Accordingly, the effective rate for 2007 was 1.0%.

4 The indexing rate is calculated according to the consumer price index for the province.

5 Note that Prince Edward Island announced, in its 2007 budget, a rise of 2% for some parameters of its tax system for 2007 and 2008, including the basic amount and the taxable income bracket thresholds of the tax table.

6 Note that Nova Scotia stipulated a rise of \$250 per year in its basic amount from 2006 to 2010. In addition, some refundable tax credits have been indexed in the same proportion as the rise in the basic amount. For example, the increase in the base amount was 3.23% in 2009 and 3.13% in 2010.

7 The 2% rate for 2010 and 2011 was announced in December 2009.

8 Since taxation year 2005, Québec's indexing rate has been based on the CPI-Québec, excluding alcohol and tobacco. For 2004, the rate was set at 2.0%.

5. TABLES OF PARAMETERS

Parameters of the personal income tax system subject to indexing (dollars)

	2011	2012
Tax table		
- Maximum threshold of first taxable income bracket	39 060	40 100
- Maximum threshold of second taxable income bracket	78 120	80 200
Single basic amount	10 640	10 925
Amount of recognized essential needs		
- Amount for a person living alone		
- basic amount	1 245	1 280
- supplement for single-parent family	1 545	1 585
- Amount with respect to age	2 290	2 350
- Amount for retirement income	2 035	2 090
- Amount of transfer of the recognized parental contribution		
- maximum amount of recognized needs	7 015	7 200
- reduction where only one session of studies is completed	1 965	2 015
- Amount for a minor child engaged in vocational training or post-secondary studies (per session, maximum two sessions)	1 965	2 015
- Amount respecting other dependants	2 855	2 930
- Amount for severe and prolonged impairment in mental or physical functions	2 420	2 485
Certain deductions and exemptions		
- Maximum amount of the deduction for workers	1 045	1 075
- Amount of the personal contribution for the purposes of the deduction for tradespersons' tools	1 055	1 085
- Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 045	1 075
- Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	315	325
Reduction thresholds		
- Reduction threshold of the tax credit for a person living alone, for age and for retirement income	30 875	31 695
- Reduction threshold of the refundable tax credit for home maintenance of an elderly person	52 080	53 465
- Reduction threshold of the refundable tax credit for respite expenses of informal caregivers	52 080	53 465

**Parameters of the personal income tax system
subject to indexing (continued)**

(dollars)

	2011	2012
Certain refundable tax credits		
- Tax credit for medical expenses		
- maximum amount	1 074	1 103
- minimum amount of earned income	2 750	2 825
- reduction threshold	20 785	21 340
- Tax credit for natural caregivers of adults		
- basic amount	591	607
- supplement reducing with income	484	497
- reduction threshold	21 505	22 075
- Québec education savings incentive		
- first income threshold for purposes of calculating the increase	39 060	40 100
- second income threshold for purposes of calculating the increase	78 120	80 200
- Tax credit for holders of a taxi driver's or taxi owner's permit	521	535
Solidarity tax credit¹		
- Amounts for the QST		
- basic amount	220	265
- amount for spouse	220	265
- additional amount for person living alone	125	128
- Amount for housing		
- amount for a couple	100	625
- amount for a person living alone	75	515
- amount for each dependent child	25	110
- Amounts for individuals living in a northern village		
- amount per adult	775	790
- amount for each dependent child	332	339
- Solidarity tax credit reduction threshold	30 875	31 695
1% contribution by individuals to the HSF		
- Maximum threshold of first taxable income bracket	13 305	13 660
- Maximum threshold of second taxable income bracket	46 260	47 490

1. The amounts of the solidarity tax credit are those stipulated in the 2010-2011 budget. They have been established on the basis of the amounts of the three tax credits for 2010 that have been replaced. These amounts have been adjusted on the basis of the tax increases announced in the 2010-2011 Budget. They will be indexed again as of 2013.

**Parameters of the personal income tax system
subject to indexing (continued)**

(dollars)

	2011	2012
Child assistance²		
- Maximum amounts		
- 1 st child	2 204	2 263
- 2 nd and 3 rd children	1 102	1 131
- 4 th and subsequent children	1 652	1 696
- single-parent family	772	793
- Minimum amounts		
- 1 st child	619	635
- 2 nd and subsequent children	571	586
- single-parent family	309	317
- Monthly amount of the supplement for a handicapped child	174	179

2 Some parameters relating to child assistance and the work premium are not shown in this table and will only be known at a later date once all the necessary information for their calculation is available.

Parameters of the refundable tax credit for child care expenses – 2011

Family income (\$)		Tax credit rate (%)	Family income (\$)		Tax credit rate (%)	Family income (\$)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
–	32 070	75	43 945	45 135	64	132 155	133 350	44
32 070	33 255	74	45 135	46 325	63	133 350	134 545	42
33 255	34 450	73	46 325	47 505	62	134 545	135 740	40
34 450	35 630	72	47 505	48 700	61	135 740	136 935	38
35 630	36 820	71	48 700	87 885	60	136 935	138 130	36
36 820	38 000	70	87 885	126 175	57	138 130	139 325	34
38 000	39 200	69	126 175	127 370	54	139 325	140 525	32
39 200	40 385	68	127 370	128 565	52	140 525	141 720	30
40 385	41 565	67	128 565	129 760	50	141 720	142 915	28
41 565	42 750	66	129 760	130 960	48	142 915	or more	26
42 750	43 945	65	130 960	132 155	46			

Parameters of the refundable tax credit for child care expenses – 2012

Family income (\$)		Tax credit rate (%)	Family income (\$)		Tax credit rate (%)	Family income (\$)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
–	32 925	75	45 115	46 335	64	135 670	136 895	44
32 925	34 140	74	46 335	47 555	63	136 895	138 125	42
34 140	35 365	73	47 555	48 770	62	138 125	139 350	40
35 365	36 580	72	48 770	49 995	61	139 350	140 575	38
36 580	37 800	71	49 995	90 225	60	140 575	141 805	36
37 800	39 010	70	90 225	129 530	57	141 805	143 030	34
39 010	40 245	69	129 530	130 760	54	143 030	144 265	32
40 245	41 460	68	130 760	131 985	52	144 265	145 490	30
41 460	42 670	67	131 985	133 210	50	145 490	146 715	28
42 670	43 885	66	133 210	134 445	48	146 715	ou plus	26
43 885	45 115	65	134 445	135 670	46			