

PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2018**

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1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The tax legislation 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 2018

The indexing rate for 2018 corresponds to the percentage change in the consumer price index for Québec (CPI Quebec), excluding alcohol and tobacco, between the 12-month period ending September 30, 2017 and the 12-month period ending September 30, 2016.

According to this formula, the personal income tax system will be indexed by 0.82% for taxation year 2018.

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 year preceding that for which an amount is to be indexed.- “B” represents the average of the CPI Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately before the year preceding that for which an amount is to be indexed.

2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2018, the Québec government will index the personal income tax system at a cost of \$229 million. Over the period from 2010 to 2018, the cumulative impact will equal close to \$2.7 billion.

TABLE 1

Impact of indexing the personal income tax system – 2010 to 2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Indexing rate in percent	0.48	1.27	2.66	2.48	0.97	1.06	1.09	0.74	0.82
Impact in millions of dollars	97	239	514	574	253	268	295	199	229
Cumulative impact in millions of dollars	97	336	850	1 424	1 677	1 945	2 240	2 439	2 668

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 maintain the harmonization of the tax system and income security programs.

□ 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 excluded from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with a 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 and minimum amounts of child assistance are indexed at the indexing rate of the tax system.

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

In 2018, the indexing rate of the Québec tax system (0.82%) will be lower than the indexing rates applied by the federal government and the governments of the six other provinces that index their tax system.

TABLE 2

Indexing rates of the federal and provincial personal income tax systems (percent)

	2010	2011	2012	2013	2014	2015	2016	2017	2018 ⁽¹⁾
Federal ⁽²⁾	0.6	1.4	2.8	2.0	0.9	1.7	1.3	1.4	1.5
Provinces									
– Newfoundland and Labrador ⁽³⁾	0.7	2.0	3.1	2.6	1.5	2.2	0.4	2.0	3.0
– Prince Edward Island	—	—	—	—	—	—	—	—	—
– Nova Scotia ⁽⁴⁾	—	—	—	—	—	—	—	—	—
– New Brunswick ^{(2),(5)}	2.0	2.0	2.8	2.0	0.9	1.7	1.3	1.4	1.5
– Québec ⁽⁶⁾	0.48	1.27	2.66	2.48	0.97	1.06	1.09	0.74	0.82
– Ontario ⁽³⁾	0.7	1.8	3.3	1.8	1.0	2.0	1.5	1.6	1.8
– Manitoba ⁽⁷⁾	—	—	—	—	—	—	—	1.5	1.2
– Saskatchewan ^{(2),(8)}	0.6	1.4	2.8	2.0	0.9	1.7	1.3	1.4	—
– Alberta ⁽³⁾	0.3	0.9	1.8	1.8	1.1	2.4	1.3	1.3	1.2
– British Columbia ⁽³⁾	0.4	0.8	2.4	1.5	0.1	0.7	0.9	1.8	2.0

Note: An em dash (—) 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 in the jurisdiction.

(2) The indexing rate is calculated according to the consumer price index for Canada. It is rounded off to one decimal place.

(3) The indexing rate is calculated according to the consumer price index for the province.

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

(5) The 2.0% rate for 2010 and 2011 was announced in December 2009.

(6) Since taxation year 2005, Québec's indexing rate has been based on the consumer price index for Québec, excluding alcohol and tobacco.

(7) Since the 2017 taxation year, Manitoba's indexation rate has been based on the Manitoba Consumer Price Index. The indexation rate is rounded to one decimal place.

(8) In Saskatchewan's 2017-18 Budget, the province announced the suspension of personal income tax indexation starting in 2018.

5. TABLES OF PARAMETERS

TABLE 3

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

	2017	2018
Tax table		
– Maximum threshold of first taxable income bracket	42 705	43 055
– Maximum threshold of second taxable income bracket	85 405	86 105
– Maximum threshold of third taxable income bracket	103 915	104 765
– Basic amount	14 890	15 012
Amount of recognized essential needs		
– Amount for a person living alone		
▪ basic amount	1 707	1 721
▪ supplement for single-parent family	2 107	2 124
– Amount with respect to age	3 132	3 158
– Amount for retirement income	2 782	2 805
– Amount of transfer of the recognized parental contribution		
▪ maximum amount of recognized needs ⁽¹⁾	10 222	10 306
▪ reduction where only one term of studies is completed ⁽¹⁾	2 861	2 884
– Amount for a minor child engaged in vocational training or post-secondary studies (per term, maximum of two terms) ⁽¹⁾	2 861	2 884
– Amount respecting other dependants ⁽¹⁾	4 168	4 202
– Amount for severe and prolonged impairment in mental or physical functions	3 307	3 334
Certain deductions and exemptions		
– Maximum amount of the deduction for workers	1 140	1 150
– Amount of the personal contribution for the purposes of the deduction for tradespersons' tools	1 150	1 160
– Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 140	1 150
– Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	355	360
Reduction thresholds		
– Reduction threshold of the tax credit for a person living alone, for age and for retirement income	33 755	34 030
– Reduction threshold of the tax credit for experienced workers	33 755	34 030
– Reduction threshold of the refundable tax credit for home-support services for seniors	56 935	57 400
– Reduction threshold of the refundable tax credit for respite expenses of informal caregivers	56 935	57 400

(1) The amounts include the enhancement announced as part of the November 2017 update of the Québec Economic Plan.

TABLE 3 (continued)

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

	2017	2018
Maximum income to qualify for certain tax credits		
– Maximum family income to qualify for the tax credit for youth activities	135 085	136 195
– Maximum net income to qualify for the tax credit for seniors' activities	41 165	41 505
– Maximum family income to qualify for the grant for seniors to offset a municipal tax increase	50 400	50 800
Certain refundable tax credits		
– Tax credit for medical expenses		
▪ maximum amount	1 175	1 185
▪ minimum amount of work income	3 005	3 030
▪ reduction threshold	22 725	22 910
– Tax credit for informal caregivers of adults		
▪ basic amount for an eligible relative	647	652
▪ supplement reducing with income	529	533
▪ reduction threshold	23 505	23 700
▪ amount for a spouse unable to live alone	1 007	1 015
– Québec education savings incentive		
▪ first income threshold for purposes of calculating the increase	42 705	43 055
▪ second income threshold for purposes of calculating the increase	85 405	86 105
– Tax credit for holders of a taxi driver's or taxi owner's permit	569	574
1% contribution by individuals to the Health Services Fund		
– Maximum threshold of first income bracket	14 545	14 665
– Maximum threshold of second income bracket	50 570	50 985

TABLE 3 (end)

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

	2017	2018
Child assistance		
– Maximum amounts		
▪ 1st child	2 410	2 430
▪ 2nd and 3rd children	1 204	1 214
▪ 4th and subsequent children	1 806	1 821
▪ single-parent family	845	852
– Minimum amounts		
▪ 1st child	676	682
▪ 2nd and subsequent children	625	630
▪ single-parent family	337	340
– Monthly amount of the supplement for handicapped children	190	192
– Monthly amount of the supplement for handicapped children with exceptional care needs	954	962
– Reduction threshold ⁽²⁾		
▪ single-parent family	34 824	35 096
▪ couple	47 868	48 246
General work premium⁽²⁾		
– Maximum amounts		
▪ person living alone ⁽¹⁾	729.54	768.36
▪ couple without children ⁽¹⁾	1 138.32	1 199.06
▪ single-parent family	2 431.80	2 452.20
▪ couple with children	3 162.00	3 189.00
– Reduction threshold		
▪ one adult	10 506	10 574
▪ couple	16 248	16 356
Adapted work premium for persons with a severely limited capacity for employment⁽²⁾		
– Maximum amounts		
▪ person living alone ⁽¹⁾	1 345.08	1 406.30
▪ couple without children ⁽¹⁾	2 016.52	2 108.32
▪ single-parent family	3 057.00	3 084.00
▪ couple with children	3 666.40	3 698.80
– Reduction threshold		
▪ one adult	13 428	13 536
▪ couple	19 532	19 694

(1) The amounts include the enhancement announced as part of the November 2017 update of the Québec Economic Plan.

(2) The increase in the parameter values is based on a revaluation formula that considers, among other things, the indexing of last resort financial assistance benefits.

TABLE 4

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

	July 2017 to June 2018	July 2018 to June 2019
Solidarity tax credit		
– Amounts for the QST		
▪ basic amount	285	287
▪ amount for spouse	285	287
▪ additional amount for person living alone	136	137
– Amount for housing		
▪ amount for a couple	670	675
▪ amount for a person living alone or a single-parent family	552	557
▪ amount for each dependent child	118	119
– Amounts for individuals living in a northern village		
▪ amount per adult	1 676	1 690
▪ amount for each dependent child	363	366
– Solidarity tax credit reduction threshold	33 935	34 215

Indexing period for the parameters of the solidarity tax credit

The parameters of the solidarity tax credit are indexed on July 1 of each year instead of January 1. They remain unchanged from July of one year to June of the following year.

TABLE 5

Parameters of the refundable tax credit for child care expenses – 2017

Family income (\$)			Family income (\$)			Family income (\$)		
Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)
—	35 060	75	48 050	49 345	64	144 480	145 780	44
35 060	36 355	74	49 345	50 640	63	145 780	147 095	42
36 355	37 660	73	50 640	51 935	62	147 095	148 400	40
37 660	38 950	72	51 935	53 240	61	148 400	149 695	38
38 950	40 250	71	53 240	96 085	60	149 695	151 010	36
40 250	41 545	70	96 085	137 940	57	151 010	152 315	34
41 545	42 860	69	137 940	139 255	54	152 315	153 635	32
42 860	44 155	68	139 255	140 555	52	153 635	154 940	30
44 155	45 445	67	140 555	141 860	50	154 940	156 245	28
45 445	46 735	66	141 860	143 170	48	156 245	or more	26
46 735	48 050	65	143 170	144 480	46			

TABLE 6

Parameters of the refundable tax credit for child care expenses – 2018

Family income (\$)			Family income (\$)			Family income (\$)		
Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)	Greater than	Without exceeding	Tax credit rate (%)
—	35 345	75	48 445	49 750	64	145 665	146 975	44
35 345	36 655	74	49 750	51 055	63	146 975	148 300	42
36 655	37 970	73	51 055	52 360	62	148 300	149 615	40
37 970	39 270	72	52 360	53 675	61	149 615	150 920	38
39 270	40 580	71	53 675	96 875	60	150 920	152 250	36
40 580	41 885	70	96 875	139 070	57	152 250	153 565	34
41 885	43 210	69	139 070	140 395	54	153 565	154 895	32
43 210	44 515	68	140 395	141 710	52	154 895	156 210	30
44 515	45 820	67	141 710	143 025	50	156 210	157 525	28
45 820	47 120	66	143 025	144 345	48	157 525	or more	26
47 120	48 445	65	144 345	145 665	46			