

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

PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR 2018

Legal deposit – November 2017
Bibliothèque et Archives nationales du Québec
ISSN 2368-8815 (PDF)

© Gouvernement du Québec, 2017

Table of contents

| | |
|---|----------|
| 1. Indexing of the personal income tax system | 1 |
| 2. Impact of indexing for the government | 3 |
| 3. Increase in the work premium and child assistance | 5 |
| 4. Comparison of indexing rates of the Québec, federal and provincial tax systems..... | 7 |
| 5. Tables of parameters | 9 |

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 | | | |