

FISCAL MEASURES ANNOUNCED IN *QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION* AND OTHER MEASURE

This information bulletin makes public the fiscal measures announced by the Minister of Finance in the fall 2020 *Update on Québec's Economic and Financial Situation*.

It also announces the amendments that will be made to Québec tax legislation in order to adjust the exemptions allowed to establish the threshold at which a premium becomes payable under the Public Prescription Drug Insurance Plan for 2020.

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The English and French versions of this bulletin are available on the Ministère des Finances website at www.finances.gouv.qc.ca.

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1. NEW EXTENSION OF THE CREDIT ON EMPLOYERS CONTRIBUTION TO THE HEALTH SERVICES FUND IN RESPECT OF EMPLOYEES ON PAID LEAVE

Under Canada's COVID-19 Economic Response Plan, in March 2020 the Government of Canada announced the establishment of the Canada Emergency Wage Subsidy.¹

Briefly, under its current parameters, the Canada Emergency Wage Subsidy consists of a base subsidy, the maximum rate of which is set at 40%, and a top-up wage subsidy, the maximum rate of which is 25%, determined on the basis of the wages paid by a qualifying entity to its eligible employees, up to \$734 per employee per week, and the reimbursement of the employer's contributions payable by the qualifying entity under the *Employment Insurance Act*, the Canada Pension Plan, the Québec Pension Plan and the Québec Parental Insurance Plan on the wages paid to its eligible employees for the weeks during which they are on paid leave.

To be deemed a qualifying entity, an employer must be, for example, an individual, a taxable corporation, a non-profit organization, a registered charity or a partnership that satisfies certain conditions in respect of its members. In addition, an employer must have experienced a decrease in income.

The wage subsidy was initially granted for three qualifying periods, the first period beginning on March 15, 2020 and the last period ending on June 6, 2020. It was subsequently extended such that a qualifying entity may receive the subsidy until November 21, 2020.²

On April 30, 2020, the Ministère des Finances du Québec announced the introduction of the credit on employers contribution to the Health Services Fund in respect of employees on paid leave,³ which complements the Canada Emergency Wage Subsidy.

Employers that have an establishment in Québec and that can benefit from the Canada Emergency Wage Subsidy for a qualifying period can also claim the credit on employers contribution to the Health Services Fund for the same period. The credit for contribution to the Health Services Fund that such an employer can claim corresponds to the amount of the contribution to the Health Services Fund that the employer pays in respect of the wages paid to a specified employee for a week included in the qualifying period when the employee is on paid leave.

¹ Department of Finance Canada, *Canada Emergency Wage Subsidy*, [online], [<https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html>]. See also the *Second Act respecting certain measures in response to COVID-19* (S.C. 2020, c. 6), assented to on April 11, 2020.

² Department of Finance Canada, *Government extends the Canada Emergency Wage Subsidy*, May 15, 2020, [online], [<https://www.canada.ca/en/department-finance/news/2020/05/government-extends-the-canada-emergency-wage-subsidy.html>]; *Ibid.*, *Supporting Canadian Workers and Businesses with a redesigned Canada Emergency Wage Subsidy*, July 17, 2020, [online], [<https://www.canada.ca/en/department-finance/news/2020/07/supporting-canadian-workers-and-businesses-with-a-redesigned-canada-emergency-wage-subsidy.html>]. See also the *Act respecting further COVID-19 measures* (S.C. 2020, c. 11), assented to on July 27, 2020.

³ Ministère des Finances du Québec, *Information Bulletin 2020-7*, April 30, 2020.

The credit on employers contribution to the Health Services Fund is granted for the same qualifying periods as the Canada Emergency Wage Subsidy, the first period beginning on March 15, 2020 and the last period ending on November 21, 2020.⁴

On October 9, 2020, the Minister of Finance of Canada announced that the Canada Emergency Wage Subsidy was being further extended,⁵ retaining the same parameters, with the addition of a new period from November 22, 2020 to December 19, 2020.

So that employers may claim the credit on employers contribution to the Health Services Fund in respect of employees on paid leave for the same qualifying periods as those in respect of which they can receive the Canada Emergency Wage Subsidy, and so that the credit on employers contribution to the Health Services Fund continues to complement the reimbursement of employers contributions granted under the Canada Emergency Wage Subsidy, the credit on employers contribution to the Health Services Fund will also be extended until December 19, 2020.

Consequently, a new period from November 22, 2020 to December 19, 2020 will be added to the qualifying periods for the credit on employers contribution to the Health Services Fund.

2. EXTENSION OF THE REFUNDABLE TAX CREDIT FOR GASPÉSIE AND CERTAIN MARITIME REGIONS OF QUÉBEC

The refundable tax credit for Gaspésie and certain maritime regions of Québec was introduced on November 17, 2000.⁶ It is intended for corporations carrying on activities in the marine or wind power resource sectors, in the manufacturing sector or in the recreation and tourism sector, subject to the specificities applicable to each administrative region.⁷ The eligibility period for this tax credit ends on December 31, 2020.

⁴ Ministère des Finances du Québec, *Information Bulletin 2020-8*, May 29, 2020, pp. 3-4; *Ibid.*, *Information Bulletin 2020-11*, August 17, 2020, pp. 3-5.

⁵ Department of Finance Canada, *Government announces new, targeted support to help businesses through pandemic*, October 9, 2020, [online], [<https://www.canada.ca/en/department-finance/news/2020/10/government-announces-new-targeted-support-to-help-businesses-through-pandemic.html>]. See also Bill C-9, *An Act to amend the Income Tax Act (Canada Emergency Rent Subsidy and Canada Emergency Wage Subsidy)*, tabled in the Canada House of Commons on November 2, 2020.

⁶ Ministère des Finances du Québec, *Information Bulletin 2000-8*, November 17, 2000, pp. 1-8.

⁷ In short, to be considered activities of a recognized business, activities in the marine biotechnology sector, the mariculture sector or the peat or slate processing sector must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine, Côte-Nord or Bas-Saint-Laurent, those in the marine products processing sector must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine or Côte-Nord or in the regional county municipality (RCM) of La Matanie, activities related to the manufacturing of wind turbines or the production of wind power must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine or in the RCM of La Matanie, activities in the manufacturing sector must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine and, finally, those in the recreation and tourism sector must be carried out on the territory of the Communauté maritime des Îles-de-la-Madeleine.

To be eligible for the refundable tax credit for Gaspésie and certain maritime regions of Québec, a corporation must, among other things, begin carrying on the activities of its recognized business no later than December 31, 2020, and apply to Investissement Québec for an initial certificate. The corporation must demonstrate, to Investissement Québec's satisfaction, that the business for which the initial certificate application is made will contribute, within a reasonable period of time, to the creation of a minimum of three full-time jobs in an establishment of the corporation located in an eligible region.

In short, the refundable tax credit a qualified corporation may receive, for a taxation year in which a calendar year ends, is calculated on all amounts, each of which is the salary or wages paid by the corporation to an employee for a pay period ending in the calendar year in which he or she is an eligible employee. However, to determine the tax credit of a qualified corporation, for the taxation year in which the calendar year ends, the total of all amounts, each of which is the salary or wages paid to an employee of the corporation for the pay periods ending in the calendar year, may not exceed an amount of \$83 333 calculated on an annual basis.⁸

The tax-credit rate differs according to the activities of the recognized business carried on by the qualified corporation. Thus, for the activities of a recognized business in the marine biotechnology sector, the mariculture sector or the recreation and tourism sector, the tax-credit rate is 30%. The refundable tax credit can therefore reach, in this case, up to \$25 000 per employee, per year. In the case of the activities of a recognized business in the wind power sector, the manufacturing sector, the peat or slate processing sector or the marine products processing sector, the tax-credit rate is 15%. The refundable tax credit can therefore reach, in this case, up to \$12 500 per employee, per year.

In order to maintain support for the economic development of the Gaspésie—Îles-de-la-Madeleine region and certain maritime regions of Québec, the eligibility period for the refundable tax credit for Gaspésie and certain maritime regions of Québec will be extended for an additional five years.

The tax legislation and the *Act respecting the sectoral parameters of certain fiscal measures* (hereinafter referred to as the "sectoral act") will thus be amended to extend until December 31, 2025, the eligibility period for the refundable tax credit for Gaspésie and certain maritime regions of Québec.

Similarly, the sectoral act will be amended so that a corporation can apply to Investissement Québec for an initial certificate for the refundable tax credit for Gaspésie and certain maritime regions of Québec for a recognized business whose operations began before January 1, 2026.

The other terms and conditions of the refundable tax credit for Gaspésie and certain maritime regions of Québec will remain unchanged.

⁸ However, this limit does not apply for the determination of the "eligible amount" and the "base amount" used to calculate the tax credit (view the definition of these terms in the first paragraph of section 1029.8.36.72.82.13 of the Taxation Act).

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 the plan is provided by the Régie de l'assurance maladie du Québec, as the administrator of the Public Prescription Drug Insurance Plan, or by insurers transacting group insurance or by administrators of private-sector employee benefit plans.

As a general rule, the Régie de l'assurance maladie du Québec provides 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 insurance⁹ or an employee benefit plan applicable to a determined group of persons, as well as coverage for those persons whom no one is required to cover.

Adults registered with the Régie de l'assurance maladie du Québec are required to make a contribution towards the payment of the cost of pharmaceutical services and drugs supplied to them whenever a prescription is filled or renewed. The 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 65 years of age 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 an employee benefit plan applicable to a determined group of persons must generally pay a premium for that year to finance the Public Prescription Drug Insurance Plan. For the 2020 calendar year, the maximum premium payable is \$642 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 public plan are also exempted from payment of the premium.

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 assumed entirely by the person covered by the plan during the reference period. As of July 1, 2019, the deductible amount is \$261 per year, divided into equal monthly amounts.

¹¹ The coinsurance payment is the portion of the cost of pharmaceutical services and prescription drugs assumed by the person covered by the plan. As of July 1, 2019, the coinsurance percentage is 37%.

¹² CQLR, chapter A-13.1.1.

¹³ R.S.C., 1985, c. O-9.

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

Since the introduction of the Public Prescription Drug Insurance Plan, 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 Public Prescription Drug Insurance Plan, the government will adjust, for 2020, the amount of each of the exemptions currently allowed.

The following table shows the amount of each of the allowable exemptions for 2020, according to household composition.

TABLE

Amount of the exemptions allowed for the purpose of calculating the premium payable under the Public Prescription Drug Insurance Plan for 2020
(dollars)

| Household composition | Amount of the exemption |
|------------------------------|--------------------------------|
| 1 adult, no children | 16 660 |
| 1 adult, 1 child | 27 010 |
| 1 adult, 2 or more children | 30 540 |
| 2 adults, no children | 27 010 |
| 2 adults, 1 child | 30 540 |
| 2 adults, 2 or more children | 33 800 |

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.

¹⁵ For 2020, the first contribution rate is 6.65%, in the case of a single person, and 3.34%, in the case of a person living as a couple.

¹⁶ For 2020, the second contribution rate is 9.99%, in the case of a single person, and 5.01% in the case of a person living as a couple.