

INTRODUCTION OF THE REFUNDABLE TAX CREDIT GRANTING A NEW ONE-TIME COST OF LIVING AMOUNT

In the *Update on Québec's Economic and Financial Situation*¹ presented on November 25, 2021, the government introduced a refundable tax credit granting an exceptional allowance to mitigate the significant cost of living increase observed during 2021.

This lump-sum tax assistance was paid at the beginning of 2022 to individuals eligible for the refundable solidarity tax credit for the payment period that began July 1, 2021 and ended June 30, 2022.

For information purposes, an individual living alone could benefit from an amount of \$275 as long as the individual's income did not exceed \$50 645 for the 2020 base year.²

In addition, as part of the March 22, 2022 budget speech,³ in order to support Québec taxpayers who were facing an increase in the cost of living for the year 2022, the government introduced a refundable tax credit granting a one-time amount to mitigate the increase in the cost of living.

This tax credit of up to \$500 was paid to individuals who filed their tax return for the 2021 calendar year and whose net income did not exceed \$105 000.

However, since the March budget speech, consumer prices have remained high, eroding the purchasing power of Quebecers. Therefore, in order to further support taxpayers, an additional tax assistance, called "refundable tax credit granting a new one-time cost of living amount", will be introduced.

This measure will allow more than six million Quebecers to benefit, as of December 2022, from financial assistance granted in a single payment.

□ **Determination of the refundable tax credit granting a new one-time cost of living amount**

In summary, an eligible individual may benefit from the payment of up to \$600 in respect of the refundable tax credit granting a new one-time cost of living amount (hereinafter referred to as the "tax credit granting a new one-time amount") where the individual's net income, for the 2021 calendar year, does not exceed \$54 000.

Similarly, an eligible individual will be able to benefit from the payment of an amount of up to \$400 under the tax credit granting a new one-time amount where the individual's net income, for the 2021 calendar year, is greater than \$54 000 but does not exceed \$104 000.

¹ MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2021-8*, November 25, 2021, pp. 3-7.

² Provided that the individual was only eligible for the Québec sales tax (QST) component of the solidarity tax credit for the payment period mentioned above.

³ MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2022-2023 – Additional Information*, March 22, 2022, pp. A.3-A.6.

This one-time assistance will be paid to all eligible individuals who will have filed their tax return for the 2021 calendar year with Revenu Québec within the allotted time.

■ Eligible individual

An eligible individual, for the purposes of this refundable tax credit, means an individual other than an excluded individual who will have filed an income tax return for calendar year 2021⁴ no later than June 30, 2023 and who, at the end of December 31, 2022, will have reached 18 years of age or who, at the end of December 31, 2021, was an emancipated minor or a minor who is the father or mother of a child with whom the individual was residing.

In addition, to qualify as an eligible individual, an individual, at the end of December 31, 2021, had to reside in Québec and have one of the following statuses:

- a Canadian citizen;
- a permanent resident within the meaning of the Immigration and Refugee Protection Act;⁵
- a temporary resident or temporary resident permit holder within the meaning of the Immigration and Refugee Protection Act, who has resided in Canada for the 18-month period preceding that time;
- a protected person within the meaning of the Immigration and Refugee Protection Act.

■ Excluded individual

For the purposes of the tax credit granting a new one-time amount, an excluded individual will mean one of the following individuals:

- a person who is exempt from tax under any of sections 982 and 983 of the *Taxation Act* or any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the *Tax Administration Act* for calendar year 2021;⁶
- a person who died before September 1, 2022;
- a person who was detained in a prison or similar institution⁷ at the end of August 31, 2022, and who was so detained throughout one or more periods, totalling more than 120 days after December 31, 2021, and before September 1, 2022.

⁴ This requirement will not apply to recipients of last-resort financial assistance as of December 31, 2021, who receive automatic payment of the basic amount of the QST component of the solidarity tax credit for the payment period beginning July 1, 2022 and ending June 30, 2023. For more information, please refer to: MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2019-10*, November 7, 2019, pp. 6-8.

⁵ S.C. 2001, c. 27.

⁶ These provisions apply, among others, to public servants or agents of the government of a country other than Canada, and the members of their families and personnel; the head officers of prescribed international organizations, and their employees and the members of their families; the representatives of member States on prescribed international organizations, and the members of their families and personnel; and the members of an office of a political division of a foreign State, and the members of their families.

⁷ Briefly, a similar institution means a provincial (jail) or federal (penitentiary) detention facility, a halfway house or a psychiatric institution if the stay in such an institution is part of the prison sentence.

For greater clarity, a person who is granted a temporary leave of absence from the prison or similar institution in which the person is incarcerated shall be deemed to be detained in that prison or similar institution for each day in the 2022 calendar year that the person is granted a temporary leave of absence from that prison or similar institution.

■ **Amount paid**

The amount of the tax credit granting a new one-time amount to be paid in 2022 will be determined as follows:

- if the individual’s personal net income⁸ for the 2021 calendar year is less than or equal to \$50 000:
 - a fixed amount of \$600;
- if the individual’s personal net income for the 2021 calendar year is greater than \$50 000, but does not exceed \$54 000:
 - \$600 – [5% × (individual’s personal net income for the 2021 calendar year – \$50 000)];
- if the individual’s personal net income for the 2021 calendar year exceeds \$54 000, but does not exceed \$100 000:
 - a fixed amount of \$400;
- if the individual’s personal net income for the 2021 calendar year is greater than \$100 000, but does not exceed \$104 000:
 - \$400 – [10% × (individual’s personal net income for the 2021 calendar year – \$100 000)].

The table below illustrates the calculation of the tax credit granting a new one-time amount.

TABLE 1

Calculation of the tax credit granting a new one-time amount
(dollars, unless otherwise indicated)

Individual’s net income		Calculation of the tax credit	Amount for 2022
Greater than	Not exceeding		
—	50 000	Fixed amount of 600	600
50 000	54 000	600 – [5% × (individual’s personal net income for 2021 – 50 000)]	From 400 to 599.99
54 000	100 000	Fixed amount of 400	400
100 000	104 000	400 – [10% × (individual’s personal net income for 2021 – 100 000)]	From 0 to 399.99
104 000	—	—	0

⁸ This is the net income reported on line 275 of the TP-1 tax return.

❑ Payment of the refundable tax credit

As of December 2022, provided that the individual has already filed their tax return for calendar year 2021,⁹ the individual who is eligible for the tax credit granting a new one-time amount will receive the amount of tax assistance without having to apply to Revenu Québec.

Similarly, an individual who files their tax return for calendar year 2021 no later than June 30, 2023 will also receive the amount of the tax credit granting a new one-time amount, without having to apply for it.¹⁰

Therefore, no payment of the refundable tax credit will be made to an individual who files their tax return for calendar year 2021 after June 30, 2023.

Moreover, if an individual's net income for calendar year 2021 changes after the date of this Information Bulletin, the changed income will not be taken into account in determining the individual's eligibility for the new tax credit granting a one-time amount.

■ Payment methods

The amount of the tax credit granting a new one-time amount, that will be paid as of December 2022, will be the subject of a direct deposit into the bank account of the eligible individual according to the data held by Revenu Québec in this regard.

An eligible individual who is not registered for direct deposit with Revenu Québec will receive a cheque made out to the individual for the amount of the tax credit granting a new one-time amount, which will be sent to the individual by mail according to the last address provided to Revenu Québec.

Moreover, no payment of less than \$2 for the tax credit granting a new one-time amount will be made by Revenu Québec.

❑ Other specific rules applicable to the tax credit granting a new one-time amount

■ Non-application of the allocation, compensation and objection rules

Under the *Tax Administration Act*, where an individual entitled to a refund by reason of the application of a fiscal law is also a debtor under such a law or about to become so, the Minister of Revenue may apply such refund to the payment of the debt of that individual, up to the amount of such debt, and give the individual notice of this.

The refund may also be allocated to the payment of any amount for which that individual is in debt to the State under an Act other than a fiscal law set out in the *Regulation respecting fiscal administration*.¹¹

⁹ See exception in note 4.

¹⁰ Regardless of when the refundable tax credit granting a new one-time amount is paid, no interest will be payable on it.

¹¹ CQLR, chapter A-6.002, r. 1, s. 31R1.

Notwithstanding the rules set out above, the tax credit granting a new one-time amount will be paid to an eligible individual even if, at the time of such payment, the individual is either a debtor under a fiscal law of a fiscal debt that is due for payment, or a debtor of another non-fiscal debt to the State covered by the *Regulation respecting fiscal administration* or a debtor of an amount recoverable under the Support-Payment Collection Program.

For greater clarity, the allocation and compensation rules will not apply in respect of the tax credit granting a new one-time amount. Moreover, the amount determined in respect of this tax credit will not be subject to a notice of objection or appeal.

■ **Terms of application in the event of bankruptcy**

Under the tax legislation, when an individual becomes bankrupt in a calendar year, the individual is deemed to have two taxation years in that calendar year. The first taxation year runs from January 1 to the day before the date of bankruptcy (pre-bankruptcy taxation year) and the second taxation year runs from the date of bankruptcy to December 31 of that calendar year (post-bankruptcy taxation year).

Moreover, tax assistance paid in respect of the tax credit granting a new one-time amount will be deemed to be an overpayment to the Minister of Revenue of the tax payable for the 2021 calendar year.

Therefore, where an individual has become bankrupt in the 2021 calendar year, the amount of the tax credit will be considered to be tax deemed to have been overpaid in the taxation year beginning after the individual's bankruptcy (post-bankruptcy taxation year) that occurred in the 2021 calendar year.

To obtain information concerning the terms of application of the tax credit granting a new one-time amount, please contact Revenu Québec's client services at the following numbers:

Québec city area: 418 659-6299

Montréal area: 514 864-6299

Elsewhere in Canada or the United States: 1 800 267-6299 (toll free)

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