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Québec Announces New Measures Adapted to the Economic Situation

Québec, November 4, 2008 – In addition to releasing the annual economic and financial update, the Minister of Finance, Minister of Government Services, Minister responsible for Government Administration and Chair of the Conseil du trésor, Monique Jérôme-Forget, announced measures to help Quebecers and businesses deal more effectively with the impact of the financial crisis.

Financial leeway

“Our disciplined management has provided us with financial leeway that we can now apply to implement these new targeted measures to further support our economy and Quebecers’ purchasing power,” the Minister said.

“These measures were not prepared in isolation. They are based on sustained discussions between our government and our economic partners. Last October 8, the Premier announced the formation of three teams to closely monitor employment, economic activity and financial markets. Many meetings were held and our government’s action has drawn inspiration from them,” she specified. These measures will result in additional costs for the government of \$81 million in 2008-2009 and \$331 million in 2009-2010.

New measures for households

The government is implementing a series of measures to protect the purchasing power of people. Accordingly, the indexing rate of the personal tax system for 2009 will be 2.36% rather than 1.58% as planned last March. That represents \$136 million more to support Quebecers’ purchasing power.

In addition, the Minister has announced an increase from \$1 500 to \$2 000, in 2009, in the amount used in the calculation of the tax credit for retirement income. This amount will be indexed at the indexing rate of the personal income tax system as of 2010. That represents \$47 million more for 350 000 retired households. Information Bulletin 2008-7, released today, describes the details of these changes.

She also announced full indexing of social assistance benefits paid to households fit for work, as of January 1, 2009. The indexing rate for last-resort financial assistance benefits will be 2.36%, i.e. the rate used for the personal tax system. That means \$66 million more for 332 000 households.

Proposals to the federal government

In addition, the Minister has proposed that the federal government set the age limit at which a saver is required to dip into his RRSPs and registered pension plan at 73 rather than 71. These additional two years would provide the savers concerned with more time to benefit from a recovery in the markets.

She is also proposing deferring, for taxation year 2009, the requirement to repay funds withdrawn from an RRSP under the Home Buyers Plan (HBP). This would make an additional \$300 million of cash resources available to 382 000 Québec households.

For the last two measures, it is essential that the federal government act on Québec's requests for them to take effect.

New measures for businesses

To encourage businesses to grow in spite of the financial crisis, the government is announcing a special program of loans and loan guarantees providing businesses, mainly SMEs, with access to additional financing of \$1 billion. The details of this new program will be revealed by the Minister of Economic Development, Innovation and Export Trade in the near future.

Furthermore, to limit the impact of the current situation on the financial position of supplemental pension plans, the government is proposing a new series of initiatives. Their purpose is to ensure the solvency of plans, while taking the financial situation of companies into account, as well as the interests of workers and pensioners. Cooperation will be sought from employer, labour and municipal groups as well as the Régie des rentes du Québec. The Minister of Employment and Social Solidarity will unveil the details of these measures in the near future.

Measures already in place

The new measures announced today are in addition to those the government has already implemented, including tax cuts, investments in public infrastructure and support measures for workers and businesses. "With these measures, we are acting to mitigate the consequences of the global economic slowdown and enabling Québec to get through this period of turbulence with confidence," Minister Jérôme-Forget concluded.

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