

Update on Québec's Economic and Financial Situation

Measures to continue working toward sound public finances and economic recovery in Québec

Québec, December 2, 2014 – As part of his update on Québec's economic and financial situation, Minister of Finance Carlos Leitão announced today that 85% of the measures to be implemented in order to eliminate the budget deficit have been identified.

“The measures presented today will enable us to achieve our objective of limiting the deficit to \$2.35 billion in 2014-2015 and eliminating it in 2015-2016. These actions are underpinned by our desire to rid Québec of the structural deficit that has hindered its economic and social development for too long,” the Minister of Finance said.

Control of government spending

Measures to reduce government spending by \$1.9 billion for fiscal 2015-2016 have already been identified, in particular:

- the curtailing of factors that could increase the government's compensation expenditures, which will engender estimated savings of \$689 million;
- the spreading out of the pay increases of physicians, for \$194 million in savings;
- the suspension of bonuses paid to senior executives and management personnel of government departments and agencies, representing savings of \$42 million;
- the transitional fiscal pact concluded with Québec municipalities, representing savings of \$300 million;
- a review of the health program, including changes to the governance of the network, for \$205 million in savings;
- a review of childcare funding, for \$193 million in savings.

“The government has made choices that entail more disciplined management of spending, in keeping with Quebecers’ ability to pay,” Mr. Leitão indicated.

Reduction of tax expenditures

The measures announced today to reduce tax expenditures will help return to a balanced budget. These measures total \$600 million in 2015-2016.

Certain measures target the corporate tax system:

- introduction of minimum eligible expenditure thresholds for research and development (R&D) tax credits and the tax credit for investments relating to manufacturing and processing equipment;
- standardization of the rates of the base tax credit for R&D, and the tax credit rates applicable to private partnerships, research consortiums and university research;
- elimination of the reduced rate of the tax on capital for insurance corporations;
- increase of the tax applicable to financial institutions.

Following this update, the government undertakes not to further reduce the overall support granted to businesses through tax assistance and the tax system as a whole. The government will continue to act to maximize the economic benefits of tax assistance and support sectors of excellence, particularly the emerging, cultural and innovative sectors of Québec’s economy.

The tax expenditure reduction will affect individuals, but to a lesser extent. The update provides for:

- a reduction in the rate of the tax credit for union and professional dues;
- harmonization of the eligibility criteria for the work premium with those for the federal working income tax benefit;
- elimination of the reduced rate of the tax on automobile insurance premiums and an increase in the registration fee for vehicles having a large engine displacement.

Economic recovery

The government is announcing today initiatives in keeping with the directions of Budget 2014-2015. The new initiatives will increase private investment, foster Québec's transition to a green economy and encourage a new generation of farmers. These measures will represent investments of \$195 million over three years. They are in addition to those announced in Budget 2014-2015, which stand at \$816 million, for a total of \$1 billion.

The government is continuing its efforts to fight climate change. It therefore announces, as part of the 2013-2020 Climate Change Action Plan, \$350 million in assistance for Québec businesses to cut their energy costs while contributing to the development of greenhouse gas emissions reduction technologies and the promotion of the electrification sector. These measures will be funded from the revenues of the Green Fund.

"The investments announced are eloquent confirmation of the synergy between the fight against climate change, and economic development. The carbon market, which spearheads our approach to climate change, is a powerful tool for sustainable development of our economy. These investments were made possible by the revenue from the carbon market," Minister Heurtel indicated.

The actions contained in the economic recovery plan of Budget 2014-2015 and the Update on Québec's Economic and Financial Situation will support private investments of nearly \$8 billion throughout the regions of Québec.

"Returning to a balanced budget and putting public finances in order are crucial to Québec's economic and social development, and, in keeping with the measures announced in the budget, we are doing what it takes to get there," the Minister of Finance concluded.

The Update on Québec's Economic and Financial Situation is available now, at www.finances.gouv.qc.ca.

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