

IMPROVEMENT TO TAX ASSISTANCE ALLOWED INDIVIDUALS LIVING IN A NORTHERN VILLAGE

Fourteen northern villages are scattered north of the 55th parallel, near the shores of Hudson Bay, Hudson Strait and Ungava Bay. The inhabitants of these villages, most of whom are Inuit, have access to the same public services and are subject to the same tax liabilities as other citizens of Québec.

However, the remoteness of these villages, their climate and higher cost of living than elsewhere make these communities very special. To take the features that distinguish these communities into account, the tax system has, since taxation year 1998, granted tax assistance consisting of a refundable tax credit for low and middle-income households living in one of the 14 municipalities constituted in accordance with the *Act respecting Northern villages and the Kativik Regional Government*,¹ hereunder called “northern village”.

For more than 10 years, this tax assistance has been granted by means of the refundable tax credit for individuals living in a northern village, which generally was paid in two equal instalments in August and December of the year following the one for which it was claimed.

To better meet the needs of households living in a northern village, this tax credit, like the refundable tax credit for the Québec sales tax and the property tax refund, was made into a component of the refundable solidarity tax credit that has been allowed low and middle-income households since July 2011.

Designed to mitigate costs relating to the Québec sales tax and to housing, while recognizing that people who live in northern villages must bear a higher cost of living than elsewhere, the solidarity tax credit is paid on a monthly basis so that the tax assistance is tied as closely as possible to the needs it seeks to satisfy.

Briefly, the solidarity tax credit may be granted, for a given month, to an individual who is a resident of Québec at the beginning of such month, provided he holds recognized status at that time (such as Canadian citizenship or permanent resident status) and is a major person, an emancipated minor within the meaning of the *Civil Code of Québec*, the spouse of an individual or the father or mother of a child with whom he resides and is not an excluded individual.²

1 The municipalities constituted in accordance with the *Act respecting Northern villages and the Kativik Regional Government* (CQLR, chapter V-6.1) are the northern villages of Akulivik, Aupaluk, Inukjuak, Ivujivik, Kangiqsualujuaq, Kangiqsujuaq, Kangirsuk, Kuujuaq, Kuujuarapik, Puvimutuq, Quaqaq, Salluit, Tasiujaq and Umiujaq.

2 For example, a person who, at the beginning of the given month, is held in a prison or similar institution is an excluded individual.

For the purposes of calculating the solidarity tax credit, an eligible individual is entitled, for a given month, to the amounts stipulated for the northern village component if, at the beginning of such month, he ordinarily inhabits one of the 14 recognized northern villages.

For 2013, the northern village component consists, on an annual basis, of an amount of \$810 to which the following amounts may be added:

- an amount of \$810, if the individual has a cohabiting spouse³ at the beginning of the given month who, at that time, ordinarily lives with him and is not held in a prison or similar institution;
- an amount of \$347 for each child who ordinarily lives with the eligible individual at the beginning of the given month and regarding whom the individual, or his cohabiting spouse with whom he ordinarily lives at that time, receives for the month an amount on account of the refundable tax credit for child assistance. However, if the amount received regarding the child on account of this tax credit was determined according to the rules applicable to shared custody, the amount granted for such child is then reduced by 50%.

The amounts determined on account of the northern village component are in addition to the amounts determined on account of the Québec sales tax component and, if applicable, the housing component to form the maximum amount an individual may receive on account of the solidarity tax credit before any reduction based on his family income.

This maximum amount is then reduced by 6% for each dollar of the individual's family income⁴ in excess of the applicable reduction threshold for the year. The result of this operation is then divided by twelve to obtain the amount payable for a given month.

To better take into account the particular situation of households living in a northern village, the amount of \$810 allowed on account of the base amount and on account of the additional amount for a spouse will be doubled, rising to \$1 620 as of taxation year 2014.

Households that have claimed the solidarity tax credit when they filed their tax return for 2012 or subsequently may receive the improved assistance determined under the northern village component beginning with the first payment in 2014. The monthly payments of the solidarity tax credit will be increased by an amount of up to \$67.50 in the case of households consisting of a single adult, while for households consisting of two adults the increase may reach \$135.

3 For the purposes of the solidarity tax credit, the expression "cohabiting spouse" means a person who, at a given time, is the spouse of an individual from whom he or she is not separated at such time. In this regard, a person is considered as living separated from an individual, at a given time, only if he or she is separated from the individual, at such time, because of the failure of their union, and such separation continued for a period of at least 90 days that includes such time.

4 The family income of an eligible individual that must be considered for the purposes of calculating the tax credit for a given month included in the first six months of a calendar year corresponds to all the individual's income and, if applicable, that of his cohabiting spouse at the beginning of the given month for the taxation year ended on December 31 of the second calendar year preceding the year. If the given month is included in the last six months of a calendar year, the family income of the eligible individual corresponds to all the individual's income and, if applicable, that of his cohabiting spouse at the beginning of the given month for the taxation year ended on December 31 of the calendar year preceding the year.

As of January 1, 2015, the amount of \$1 620 allowed on account of the base amount and on account of the additional amount for a spouse will be automatically indexed each year according to the factor used to index the main parameters of the personal tax system. For greater clarity, if the result obtained by applying the indexing factor is not a multiple of 1, it will be rounded off to the nearest multiple of 1, or, where it is halfway between two such multiples, rounded up the nearest multiple of 1.

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For information concerning this information bulletin, contact the Secteur du droit fiscal et des politiques locales et autochtones at 418 691-2236.

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