INFORMATION BULLETIN

2014-12

MEASURES CONCERNING INDIVIDUALS AND BUSINESSES

ERRATUM

On page 6, the last paragraph of this page should have read as follows:

> “In this context, the rate of the tax on lodging applicable in the Montréal tourism region will be maintained at 3.5% for the period from February 1, 2015 to January 31, 2025.”

Finances Québec

INFORMATION BULLETIN

December 19, 2014 2014-12

MEASURES CONCERNING INDIVIDUALS AND BUSINESSES

This information bulletin describes in detail the changes made to certain measures concerning individuals and businesses.

These measures provide for, among other things, an increase in certain limits for the purposes of calculating the refundable tax credit for childcare expenses and the deferral of the application of changes with respect to the refundable tax credit relating to resources announced in 2012.

In addition, this bulletin announces the maintenance of the temporary increase in the tax on lodging in the Montréal tourism region in order to finance the Canadian Grand Prix.

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

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

MEASURES CONCERNING INDIVIDUALS AND BUSINESSES

1. INCREASE IN THE LIMITS FOR THE PURPOSES OF CALCULATING THE REFUNDABLE TAX CREDIT FOR CHILDCARE EXPENSES

On October 30, 2014, the Prime Minister of Canada announced that the Child Care Expense Deduction limits would be increased by $1 000 as of the 2015 taxation year. Accordingly, the maximum allowable amounts will increase from $7 000 to $8 000 for children under 7 years of age, from $4 000 to $5 000 for children 7 to 16 years of age and from $10 000 to $11 000 for children eligible for the Disability Tax Credit.[1]

Currently, for the purposes of calculating the refundable tax credit for childcare expenses granted under the Québec tax system, qualified childcare expenses for a year may not exceed the total of the maximum childcare expenses applicable for the year regarding each eligible child[2] in respect of whom such expenses were incurred.

Apart from children under 7 years of age who do not have an impairment, regarding whom a maximum of $9 000 has been granted since the 2009 taxation year, Québec legislation provides for the same maximum amounts as under the federal tax system regarding children with a severe and prolonged impairment in mental or physical functions and other children 7 years of age and over.

Consequently, Québec tax legislation will be amended to provide that the limit applicable to children with a severe and prolonged impairment in mental or physical functions will be raised from $10 000 to $11 000 and that the limit applicable to other children 7 years of age and over will be raised from $4 000 to $5 000.

Québec tax legislation also provides that the childcare expenses of an individual for a taxation year do not include the amounts paid for an eligible child of the individual who attends, in the year, a boarding school or camp to the extent that the total of those amounts exceeds the product obtained when $250, if the child has a severe and prolonged impairment in mental or physical functions, $175, if the child is under 7 years of age on December 31 of that year, or would have been had the child then been living, or $100, in any other case, is multiplied by the number of weeks in the year during which the child attended the school or camp.

The amounts of $250, $175 and $100 a week represent 1/40 of each of the three maximum annual amounts for childcare expenses under federal legislation.

So that the maximum amounts granted per week for attendance at a boarding school or camp continue to be harmonized further to the $1 000 increase in the limits for the federal Child Care Expense Deduction, Québec tax legislation will be amended to provide for a $25 increase in each of the amounts granted.

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1 DEPARTMENT OF FINANCE CANADA, "News Release 14-155 – PM announces tax cuts, increased benefits for families," www.fin.gc.ca/n14/14-155-eng.asp. "Notice of Ways and Means Motion to Amend the Income Tax Act", tabled before the House of Commons the same day, describes the proposed amendments (www.fin.gc.ca/drleg-apl/2014/nwmm-amvm-301014-eng.asp).

2 Briefly, to be considered an eligible child of an individual, the child must be under 16 years of age or dependent on the individual or the individual's spouse and have a mental or physical infirmity.

The following table presents the changes that will be made to the limits for the purposes of calculating the refundable tax credit for childcare expenses.

TABLE 1

Limits for the purposes of calculating the refundable tax credit for childcare expenses
(dollars)

	2014	2015	Difference
Maximum childcare expenses amount			
– child with a severe and prolonged impairment	10 000	11 000	1 000
– child under 7 years of age	9 000	9 000	–
– other eligible children	4 000	5 000	1 000
Maximum amount per week for childcare expenses paid to a boarding school or camp			
– child with a severe and prolonged impairment	250	275	25
– child under 7 years of age	175	200	25
– other eligible children	100	125	25

For greater clarity, the changes to be made to Québec's tax system will be adopted only after assent to the federal statute implementing the increase in the childcare expense limits. These changes will apply as of the same date as that retained for the purposes of the federal measure to which they are harmonized.

2. Deferral of the changes with respect to the refundable tax credit relating to resources announced in 2012

The refundable tax credit relating to resources was introduced in the March 29, 2001 Budget Speech.[3]

Briefly, a qualified corporation that incurs eligible expenses for a taxation year may claim, regarding such expenses for the taxation year, the refundable tax credit relating to resources, whose rate can reach 31%.

The rate of the tax credit a qualified corporation may claim in relation to the eligible expenses it incurs varies according to a number of parameters, including the type of resource to which the eligible expenses are connected, the place where such expenses are incurred, as well as the type of corporation that incurs the expenses.

3 Ministère des Finances du Québec, Budget 2001-2002 – Additional Information on the Budgetary Measures, section 1, pp. 50-55.

The following table presents the rates that apply depending on these parameters.

TABLE 2

Rates of the refundable tax credit relating to resources
(per cent)

	Corporation that does not operate any mineral resource or oil or gas well(1)	Other corporation
Tax credit regarding eligible expenses:		
– relating to mining resources, oil and natural gas:		
▪ in the Mid-North or Far North	31	15
▪ elsewhere in Québec	28	12
– relating to renewable energy and energy conservation	28	24
– relating to other natural resources (cut stone)	12	12

(1) The corporation must not be part of an associated group within which a member operates a mineral resource or an oil or gas well.

In the March 20, 2012 Budget Speech,[4] a reduction in the rates of the refundable tax credit relating to resources was announced regarding eligible expenses incurred after December 31, 2013.

It was mentioned at the time that the rates of the tax credit which corporations that do not operate any mineral resource or oil or gas well[5] may claim respecting their eligible expenses relating to mining resources, oil and natural gas would be reduced by 10 percentage points. Similarly, it was indicated that the rates applicable to other corporations respecting their eligible expenses relating to mining resources, oil and natural gas and to qualified corporations respecting their eligible expenses relating to other natural resources (cut stone) would be reduced by 5 percentage points.

In addition, a conditional improvement to the tax assistance was announced at that time. The conditional improvement was to apply to eligible expenses relating to mining resources, oil and natural gas incurred after December 31, 2013. It was to consist of an increase in the rate of the refundable tax credit relating to resources of 10 percentage points for corporations that do not operate any mineral resource or oil or gas well[6] and of 5 percentage points for other corporations. It was to be granted in exchange for an option to the state to acquire an equity stake in the development.

4 Ministère des Finances du Québec, Budget 2012-2013 – Additional Information on the Fiscal Measures of the Budget, March 20, 2012, pp. 53-55.

5 The corporations must not be part of an associated group within which a member operates a mineral resource or an oil or gas well.

6 See the preceding note.

Information Bulletin 2013-14 of December 20, 2013[7] announced that the application of the reduction of the tax credit rates and of the conditional improvement of the tax assistance would be deferred. Further to the deferral, the reduction of 10 percentage points and 5 percentage points in the tax credit rates and the conditional improvement of the tax assistance were to apply only to eligible expenses incurred after December 31, 2014.

It is appropriate to again defer the application of this reduction in the rates of the refundable tax credit relating to resources and of the conditional improvement of the tax assistance, in exchange for an equity stake option to the state. The Ministère des Finances will make known at a later date the application date for these changes.

Consequently, the rates of the refundable tax credit relating to resources indicated in Table 2 will apply to eligible expenses incurred after December 31, 2014.

3. Maintenance of the temporary increase in the tax on lodging in the Montréal tourism region in order to finance the Canadian Grand Prix

The government set up a tourism partnership fund to strengthen and sustain the promotion and development of tourism in Québec. The fund is financed in part by a tax on lodging applicable to each accommodation unit rented in a sleeping-accommodation establishment located in a tourism region of Québec that makes such a request to the government through its regional tourism association (RTA).

The revenues generated by this tax, after deduction of its administration costs, are remitted to the participating regions, and the amounts thus remitted are used in accordance with the terms and conditions agreed to in a memorandum of understanding between the ministère du Tourisme and these RTAs of the participating regions.

RTAs that want the tax on lodging to apply in their territory can choose between a specific tax of $2 or $3 per overnight stay or an *ad valorem* tax of 3% of the price of each overnight stay.

Further to a request by the Montréal RTA, the tax on lodging applicable in its territory was raised from 3% to 3.5% for the period from February 1, 2010 to January 31, 2015, the additional half-percentage point being intended to ensure the RTA's contribution to the financing of the Canadian Grand Prix for the years 2010 to 2014.

The holding of the Canadian Grand Prix having been renewed for the next 10 years, the Montréal RTA requested that the government maintain the temporary increase in the rate of the tax on lodging, so that it can continue to be a player in financing this event for the years 2015 to 2024.

In this context, the rate of the tax on lodging applicable in the Montréal tourism region will be maintained at 3.5% for the period from February 1, 2015 to January 31, 2025.

7 Ministère des Finances et de l'Économie du Québec, Information Bulletin 2013-14, December 20, 2013, pp. 4-5.

4. Exclusion of certain fees from the base wages used as the point of departure in determining various salary-based contributions

Currently, fees paid to members of commissions or committees established by a province for a set period do not receive the same treatment in Québec as in most of the other provinces, with respect to the determination of social contributions.

Over the years, eight provinces have taken steps to exclude such fees from a contribution to the Canada Pension Plan, pointing out, in particular, that the vast majority of people appointed to these positions have another job in respect of which they pay the maximum contribution under the Plan.

Such an exclusion is consistent with the limited range of insurable offices under the Employment Insurance plan, which essentially recognizes only offices held by persons who are appointed and remunerated under an Act governing a province's public service and those held in or under a corporation, commission or other body that is an agent of a province.

In this context, so that the treatment of fees paid to members of such commissions or committees established by Québec for a set period is similar to that applied to fees paid to members appointed to similar positions in the other provinces, a change will be made to the base wages, as defined in the *Taxation Act*,[8] used as the point of departure in determining the contributions required under, for example, the *Act respecting the Québec Pension Plan*[9] and the *Act respecting the Régie de l'assurance maladie du Québec*.[10]

More specifically, the definition of "base wages" will be changed to exclude hourly, half-day or full-day fees paid to persons whom the government appoints as members of a commission, including a public inquiry commission, an evaluation committee, a committee or panel of experts or a working group created for a set period, or to persons who are appointed members of a candidate selection or review committee established for that purpose under a Québec statute.

A similar amendment will be made to the *Regulation respecting parental insurance plan premiums*[11] in order to exclude hourly, half-day or full-day fees from the eligible wages of persons thus appointed.

These amendments will apply as of 2014.

8 This definition is given in section 1159.1 of the *Taxation Act* (CQLR, chapter I-3).

9 CQLR, chapter R-9.

10 CQLR, chapter R-5.

11 CQLR, chapter A-29.011, r. 3.

5. EASING WITH RESPECT TO THE COLLECTION AND REMITTANCE OF THE 9% TAX APPLICABLE TO AUTOMOBILE INSURANCE PREMIUMS PAID AS OF 2015

The Update on Québec's Economic and Financial Situation presented on December 2, 2014 announced, by means of Information Bulletin 2014-11, that the rate of the tax on insurance premiums applicable to premiums for automobile insurance covering material damage would be raised from 5% to 9 % regarding such premiums paid after December 31, 2014.[12]

To facilitate the transition for persons required to collect the tax who have a monthly reporting period, an additional period of one month was granted for their remittance to Revenu Québec of the amounts of tax to be collected on automobile insurance premiums paid in January 2015.

However, it has emerged that this transitional easing measure will not give persons offering automobile insurance who have a monthly reporting period enough time to make the required changes to their systems without having to bear the tax increase while the changes are being made.

Consequently, this measure will be changed so that these mandataries have the option of postponing to June 30, 2015 the collection of amounts attributable to the 4% tax increase applicable to premiums paid to them as of January 1, 2015. The mandataries will therefore have until July 31, 2015 to remit to Revenu Québec these amounts regarding premiums paid from January 1, 2015 to June 30, 2015.

12 MINISTÈRE DES FINANCES DU QUÉBEC, Information Bulletin 2014-11, December 2, 2014, p. 28.