



CHANGES TO VARIOUS TAX MEASURES CONCERNING INDIVIDUALS
AND HARMONIZATION WITH VARIOUS TAX MEASURES ANNOUNCED
BY THE FEDERAL GOVERNMENT

This information bulletin gives a detailed description of the changes to be made to the refundable tax credit for child assistance. These changes are intended to, among other things, update certain eligibility criteria respecting the supplement for handicapped children, in the case of mental function disabilities, and clarify eligibility for the supplement for handicapped children with exceptional care needs, in the case of children six years of age and over whose health condition requires certain complex medical care at home.

In addition, it makes public the adjustments to be made to the assistance program for seniors to partially offset a municipal tax increase pursuant to a new assessment roll, as well as the new terms and conditions for filing a farm property tax credit application. It also specifies the role to be played by the Ministère du Travail, de l'Emploi et de la Solidarité sociale and Revenu Québec respecting advance payments of the work premium to recipients of last resort financial assistance.

The bulletin also states the position of the Ministère des Finances on various federal tax measures that were proposed or adopted in recent months, including those concerning the rules applicable to certain trusts and their beneficiaries and those pertaining to technical changes to the goods and services tax and harmonized sales tax system.

Lastly, it provides for clarifications to the time period in which certain employers must meet the obligations to subscribe to a voluntary retirement savings plan and automatically enroll their eligible employees in the plan.

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.

CHANGES TO VARIOUS TAX MEASURES CONCERNING INDIVIDUALS AND HARMONIZATION WITH VARIOUS TAX MEASURES ANNOUNCED BY THE FEDERAL GOVERNMENT

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1. CHANGES REGARDING THE REFUNDABLE TAX CREDIT FOR CHILD ASSISTANCE

The Québec tax system grants families with children under the age of 18 a refundable tax credit to help them provide for the needs of their minor children. This tax credit is composed of a child assistance payment to which may be added one or two supplements designed to account for the special needs of handicapped children.

Various changes will be made to the terms and conditions of the refundable tax credit for child assistance. These changes will, among other things, update the tables describing presumed cases of serious handicap relating to developmental disabilities, clarify eligibility for the supplement for handicapped children with exceptional care needs, in the case of children six years of age and over whose health condition requires certain complex medical care at home, and provide a better framework for the rules governing extensions of the time allowed for filing an application with Retraite Québec respecting any of the components of the tax credit.

□ Presumed cases of serious handicap for the purposes of the supplement for handicapped children

The supplement for handicapped children may be paid in respect of a child who, according to the prescribed rules, has an impairment or a mental function disability that substantially limits the child in performing the life habits¹ of a child of his or her age during a foreseeable period of at least one year.

A child whose condition, during a foreseeable period of at least one year, corresponds to or is comparable to the cases mentioned in Schedule A to the *Regulation respecting the Taxation Act* is presumed to be handicapped, unless the exclusions described in the schedule apply to the child.

In all cases where no presumption applies to a child, the seriousness of the child's limitations in performing the life habits of a child of his or her age is assessed on the basis of the effect, on the child's life habits in his or her various living environments, of the interaction between the following criteria:

- disabilities resulting from the impairment or the mental function disability;
- environmental factors as facilitators of, or obstacles to, the performance of the life habits.

In regard to presumed cases of serious handicap, Schedule A to the *Regulation respecting the Taxation Act* presents a two-part series of tables, in which the first part groups the tables pertaining to cases of impairments and the second part, to cases of developmental disabilities.

Most of the tables in the schedule contain various parameters that health professionals must follow in assessing the state or condition of a child, as well as certain cases of exclusion.

¹ Life habits are those that a child should perform, for the child's age, to care for himself or herself and participate in social life, and that consist of nutrition, personal care, moving about, communication, interpersonal relations, responsibilities and education.

To clarify the scope of the various elements in the tables of presumed cases of serious handicap, the *Regulation respecting the Taxation Act* will be amended to state that a child whose condition, during a foreseeable period of at least one year, corresponds to one of the cases mentioned in Schedule A will be presumed to be handicapped, unless the exclusion provided for in respect of that case applies to the child or the assessment parameters for the case are not followed.

This amendment will apply to any application for the supplement for handicapped children or the supplement for handicapped children with exceptional care needs that is filed with Retraite Québec after the date of publication of this information bulletin. It will also apply to any application for such a supplement that is filed before the day following the date of publication of this information bulletin and in respect of which no decision was rendered by Retraite Québec before that day.

Moreover, to take into account developments in the last ten years in the practices for detecting and treating mental function disabilities and in the vocabulary used to describe such disabilities, the tables in Part 2 of Schedule A will be replaced by the tables below.

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP

2. Mental function disabilities

2.1 Global developmental delay

Presumed cases of serious handicap

A child is presumed to be handicapped within the meaning of section 1029.8.61.19R1 if the child is at least two years of age and less than six years of age, and meets at least two of the following criteria:

- (a) the child's global IQ or the score on a scale assessing his or her level of cognitive development is in the 2nd percentile or below, for a confidence interval of 95%;
- (b) the overall result on a test of the child's gross and fine motor skills is in the 2nd percentile or below;
- (c) the score on a receptive vocabulary test standardized for child's population group, is in the 2nd percentile or below.

Assessment parameters

Assessments must be conducted by a member of a professional order, through recognized standardized tests and in accordance with the applicable standards of practice, when the child is at least two years of age and less than six years of age.

The professional's assessment report must describe the child's abilities and disabilities, present the professional's observations and enable Retraite Québec to rule on the validity of the results obtained.

Exclusion

A child who was not exposed on a sustained basis, for a period of at least two years, to the language used in the assessment tests is not presumed to be handicapped due to a global developmental delay. In this respect, a child will be considered to be exposed on a sustained basis to the language used in a test if, for at least 40% of his or her waking hours, the child interacts with a person who is proficient in that language.

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP (cont.)

2. Mental function disabilities

2.2 Intellectual impairment

Presumed cases of serious handicap

A child is presumed to be handicapped within the meaning of section 1029.8.61.19R1 in the following cases:

- (a) the child is at least six years of age and his or her global IQ is 50 or less, for a confidence interval of 95%;
- (b) the child is at least six years of age and meets the following criteria:
 - his or her global IQ is in the 2nd percentile or below, for a confidence interval of 95%,
 - the assessment of his or her adaptive behaviour shows that the score on one of the three components assessed among the conceptual, social and practical components, or the overall score for these three components, is in the 2nd percentile or below, for a confidence interval of 95%, in at least two of the child's living environments.

Assessment parameters

Assessments must be conducted by a member of a professional order, through recognized standardized tests and in accordance with the applicable standards of practice, when the child is at least six years of age.

The professional's assessment report must describe the child's abilities and disabilities, present the professional's observations and enable Retraite Québec to rule on the validity of the results obtained.

Exclusion

A child who was not exposed on a sustained basis, for a period of at least two years, to the language used in the assessment tests is not presumed to be handicapped due to an intellectual impairment. In this respect, a child will be considered to be exposed on a sustained basis to the language used in a test if, for at least 40% of his or her waking hours, the child interacts with a person who is proficient in that language.

2.3 Autism spectrum disorder

Presumed cases of serious handicap

A child is presumed to be handicapped within the meaning of section 1029.8.61.19R1 in the following cases:

- (a) the child is at least two years of age, has been diagnosed with autism spectrum disorder and presents with at least four of the following characteristics:
 - does not use gestures to communicate,
 - does not show interest in others,
 - does not respond to social smiles, even with people he or she knows,
 - does not have fun with others, even with people he or she knows,
 - does not share interests with others by showing or bringing objects,
 - does not pay attention to an object pointed to by another person,

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP (cont.)

2. Mental function disabilities

- does not respond verbally or non-verbally to verbal messages,
 - does not imitate the behaviour of others,
 - does not engage in functional play;
- (b) the child is at least three years of age, has been diagnosed with autism spectrum disorder and is non-verbal;
- (c) the child is at least three years of age and less than six years of age, has been diagnosed with autism spectrum disorder and meets at least two of the following criteria:
- his or her global IQ or the score on a scale assessing the child's level of cognitive development is at least 1.5 standard deviations below average,
 - the global result on a test of the child's gross and fine motor skills is at least 1.5 standard deviations below average,
 - the scores on all receptive language tests are at least 1.5 standard deviations below average;
- (d) the child is at least five years of age, has been diagnosed with autism spectrum disorder and his or her global IQ is in the 5th percentile or below, for a confidence interval of 95%;
- (e) the child is at least four years of age, has been diagnosed with autism spectrum disorder and, despite the implementation of therapeutic measures recommended by members of a professional order:
- has temper tantrums in his or her various living environments, the frequency, duration and intensity of which are high and significantly exceed the norm for the child's stage of development, or
 - displays physical aggression toward himself or herself, or others, in his or her various living environments, the frequency and intensity of which are high and significantly exceed the norm for the child's stage of development.

Assessment parameters

An assessment that results in a diagnosis of autism spectrum disorder must be conducted when the child is at least two years of age. The disorder must be confirmed in an assessment report by a member of a professional order.

The professional's assessment report must describe the child's abilities and disabilities, present the professional's observations and, where applicable, enable Retraite Québec to rule on the validity of the results obtained.

For the purpose of analysis of a case set forth in paragraph (a), information on communication and social interaction must be corroborated by more than one source, such as by observations of the parents and childcare workers or school social workers presented in the professionals' assessment reports, and by those of professionals during their interactions with the child.

For the purpose of analysis of a case set forth in paragraph (c), assessments must be conducted by a member of a professional order, through recognized standardized tests and in accordance with applicable standards of practice, when the child is at least three years of age and less than six years of age, and the professional's assessment report must enable Retraite Québec to rule on the validity of the results obtained.

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP (cont.)

2. Mental function disabilities

For the purpose of analysis of a case set forth in paragraph (d), an assessment must be conducted by a member of a professional order, through recognized standardized tests and in accordance with applicable standards of practice, when the child is at least five years of age, and the professional's assessment report must enable Retraite Québec to rule on the validity of the results obtained.

For the purpose of analysis of a case set forth in paragraph (e), information on the nature, intensity, duration and frequency of the disruptive behaviour must be corroborated by more than one source, such as by observations of the parents and childcare workers or school social workers presented in the professionals' assessment reports and progress notes, and by intervention plans at a daycare, school or rehabilitation centre.

Exclusion

In the cases set forth in paragraphs (c) and (d), a child who was not exposed on a sustained basis, for a period of at least two years, to the language used in the assessment tests is not presumed to be handicapped due to autism spectrum disorder. In this respect, a child will be considered to be exposed on a sustained basis to the language used in a test if, for at least 40% of his or her waking hours, the child interacts with a person who is proficient in that language.

2.4 Language disorders

Presumed cases of serious handicap

A child is presumed to be handicapped within the meaning of section 1029.8.61.19R1 in the following cases:

- (a) the child is at least two years of age and does not have at least four of the following pre-language skills:
 - joint attention,
 - motor imitation,
 - verbal imitation,
 - use of gestures to communicate,
 - turn-taking in conversation;
- (b) the child is at least three years of age and, in various situations, expresses himself or herself using isolated words, and it has been shown that the child does not understand simple questions like "who," "what" and "where" in relation to familiar objects or persons present in the immediate environment;
- (c) the child is at least three years of age and presents with a persistent inability to pronounce words of two different syllables;
- (d) the child is at least four years of age and less than six years of age, the scores on formal assessment tests are corroborated by a qualitative analysis of his or her day-to-day language skills and:
 - with respect to receptive language, the child obtains scores equal to or below the 5th percentile on at least three tests standardized for the child's population group, and obtains no scores above the 5th percentile on any other test; or

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP (cont.)

2. Mental function disabilities

- with respect to expressive language, at least two of the following language components are impaired:
 - regarding vocabulary, the child obtains scores equal to or below the 5th percentile on at least one test standardized for the child's population group,
 - regarding production of sounds, the child persistently makes a wide range of mistakes that are frequent and unusual for his or her age, making the child's speech unintelligible most of the time,
 - regarding sentence structure, the child's sentences are ungrammatical and no more than three or four words long;
- (e) the child is at least six years of age, the scores on formal assessment tests are corroborated by a qualitative analysis of his or her day-to-day language skills and:
 - with respect to receptive language, the child obtains scores equal to or below the 5th percentile on at least three tests standardized for the child's population group, and obtains no scores above the 5th percentile on any other test; or
 - with respect to expressive language, at least two of the following language components are impaired:
 - regarding vocabulary, the child obtains scores equal to or below the 5th percentile on at least one test standardized for the child's population group,
 - regarding production of sounds, the child persistently makes a wide range of mistakes that are frequent and unusual for his or her age, making the child's speech unintelligible most of the time,
 - regarding sentence structure, the child uses simple syntactic structures, mostly without grammatical markers, and cannot use complex syntactic structures;
- (f) the child is at least nine years of age and less than 15 years of age, and his oral or written language disorder delays his or her acquisition of reading and mathematics skills, with the result that they are below those of a child two-thirds his or her age;
- (g) the child is at least 15 years of age, and his or her oral or written language disorder delays his or her acquisition of reading and mathematics skills, which are no longer progressing beyond the second cycle of elementary school despite the child's still being in school.

Assessment parameters

A language disorder must be assessed by a speech therapist, in accordance with the applicable standards of practice.

A speech therapist's report for a particular case must describe the child's language skills for a period that may not precede the time the child reaches the minimum age provided for in regard to that case. It must also describe interpreted data of the assessment of communication, speech and all components of receptive and expressive language. This analysis must be corroborated by more than one document, such as by intervention plans at a daycare, school or rehabilitation centre.

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP (cont.)

2. Mental function disabilities

In the cases set forth in paragraphs (d) and (e), the three formal tests referred to respecting receptive language must demonstrate different aspects of comprehension. In this regard, a subtest that demonstrates a specific aspect of comprehension may count as a test.

In the case of children exposed to more than one language, the attending speech therapist interprets the language data for the child, taking explicit account of the multilingual context, and the following information must be on file:

- mother tongue or tongues, language or languages spoken at home and dominant language or languages;
- the age of exposure, and the duration and percentage of exposure, to each of the languages.

Exclusion

A child who is assessed in a single language he or she is learning is not presumed to be handicapped due to a language disorder, unless the child was exposed to that language on a sustained basis for a period of at least two years. In this regard, a child will be considered to have been exposed on a sustained basis to the language he or she is learning if, for at least 40% of his or her waking hours, the child interacts with a person who is proficient in that language.

2.5 Serious behavioural disorders

Presumed cases of serious handicap

A child is presumed to be handicapped within the meaning of section 1029.8.61.19R1 if the following criteria are met:

- (a) the child is at least four years of age and displays at least two of the following behaviours:
 - physical aggression toward himself or herself, or others,
 - defiance of authority through an obstinate refusal to follow instructions and the rules in effect in a given environment,
 - temper tantrums that significantly exceed the norm for the child's stage of development,
 - deliberate engagement in vandalism;
- (b) despite the implementation of therapeutic measures recommended by members of a professional order, displays of these behaviours present all of the following characteristics:
 - high level of intensity,
 - high frequency,
 - consistency, that is, the behaviours exist in the child's various living environments.

Assessment parameters

The behavioural disorder must be confirmed in an assessment report by a member of a professional order. The professional's assessment report must describe the nature and seriousness of the disorder and its consequences from a school, family and social standpoint, as well as the child's abilities and disabilities and the professional's observations.

TABLES OF PRESUMED CASES OF SERIOUS HANDICAP (cont.)

2. Mental function disabilities

Exclusion

A child who presents with an attention deficit disorder with or without hyperactivity and whose symptoms are controlled through medication is not presumed to be handicapped due to a serious behavioural disorder.

The new tables of presumed cases of serious handicap relating to mental function disabilities will apply as of January 1, 2017. However, a child who is presumed to be handicapped under the existing rules applicable to developmental disabilities will continue to be so presumed until a decision is reached in respect of the child on the basis of the new presumed cases of serious handicap relating to mental function disabilities.

Moreover, the tax legislation will be amended to provide that any application to obtain an amount as a supplement for handicapped children that is filed with Retraite Québec after the date of publication of this information bulletin must be submitted along with the report by a member of a professional order who assessed the child's condition for a period that precedes the date of the application by no more than 12 months.

❑ Clarifications concerning the supplement for handicapped children with exceptional care needs

The supplement for handicapped children with exceptional care needs, whose incorporation into the refundable tax credit for child assistance was announced on June 22, 2016 in *Information Bulletin 2016-6*, grants increased financial assistance to parents of a child with a serious illness or severe disabilities, in order to help the parents provide for their child's needs and assume their extraordinary responsibilities.

Briefly, for the purposes of this supplement, children with a serious illness were described as children whose health condition requires specified complex medical care at home that is provided by their father or mother, who received prior training at a specialized centre in order to learn the specific techniques for using the required equipment and be able to respond to any potentially life-threatening change in their child's clinical condition.

In this respect, specified complex medical care at home consists of the following care:

- complex respiratory care, namely, non-invasive mechanical bi-level positive airway pressure (with BiPAP) or care relating to a tracheostomy with or without invasive mechanical ventilation;
- complex nutritional care, namely, parenteral feeding;
- complex cardiac care, namely, intravenous administration of positive inotropes;
- complex renal care, namely, peritoneal dialysis.

However, it has become clear that certain types of care in this list, such as non-invasive mechanical bi-level positive airway pressure (with BiPAP), may also be provided to children who do not have a serious illness.

Thus, to ensure the fairness and integrity of the tax measure, the tax legislation will be amended, on a declaratory basis, to provide that, in respect of children six years of age and over, except those requiring care relating to a tracheostomy with invasive mechanical ventilation, the supplement for handicapped children with exceptional care needs may be granted solely if a child:

- is completely unable to perform, independently for his or her age despite the presence of facilitating environmental factors, a life habit taken into consideration for the purposes of the tax credit, other than the life habit respecting interpersonal relations (absolute limitation respecting the performance of a life habit); or
- always or nearly always has considerable difficulty performing, independently for his or her age despite the presence of facilitating environmental factors, two life habits taken into consideration for the purposes of the tax credit, other than the life habit respecting interpersonal relations (serious limitation respecting the performance of two life habits).

In addition, to take into account the fact that the complexity of cardiac care does not hinge on the positive or negative properties of intravenous inotropes, the “complex cardiac care” category included in the definition of “specified complex medical care at home” will be changed, on a declaratory basis, so that it refers solely to the intravenous administration of inotropes.

❑ Change to the rules concerning the extension of the time allowed for filing an application with Retraite Québec

Under the tax legislation, an individual may be considered to be an eligible individual, in respect of an eligible dependent child, at the beginning of a particular month only if the individual files an application, in respect of child, with Retraite Québec no later than 11 months after the end of the particular month. However, Retraite Québec may, at any time, extend the time allowed for filing an application.

Under its operational practices, Retraite Québec may grant such an extension on receipt of a written application, where it is satisfied that the applicant was unable to act sooner.

To provide a better framework for Retraite Québec’s practice in this area, the tax legislation will be amended to stipulate that a person may apply to Retraite Québec in writing for an extension of the 11-month period, setting forth the reasons why the person’s application respecting one of the components of the refundable tax credit for child assistance was not submitted sooner.

An application for extension will be accepted if the person shows that he or she was unable to act and that the application was filed as soon as possible in the circumstances.

The 11-month time period will then be extended for a period not exceeding 24 months.

The tax legislation will also be amended to specify that the 11-month period applies separately to each of the three components of the refundable tax credit for child assistance.

These amendments will apply to any application filed after the date of publication of this information bulletin.

2. CLARIFICATIONS CONCERNING THE ASSISTANCE PROGRAM FOR SENIORS TO PARTIALLY OFFSET A MUNICIPAL TAX INCREASE PURSUANT TO A NEW ASSESSMENT ROLL

Since 2016, seniors who are long-time homeowners may, provided certain conditions are met, receive a grant to partially offset the municipal taxes payable on their residence following an increase in its value if the increase significantly exceeds the average increase for certain residential immovables.

To receive this grant for a particular year, individuals must apply for it on the income tax return that they are required to file for the taxation year that ended immediately before the beginning of the particular year, or that they would be required to file if they had income tax payable for that taxation year.

For any year to which a property assessment roll applies, the amount of the grant to which an individual may be entitled in respect of a specified unit of assessment corresponds to the aggregate of the following amounts:

- the amount of the potential grant attributable to the increase in the property value of the unit of assessment, where, pursuant to this new assessment roll, the increase in the unit's value exceeds the average increase by 7.5%;
- the amount allowed as a grant² by Revenu Québec to the individual or to a person who was the individual's spouse, in respect of the specified unit of assessment, for the last year to which applies the property assessment roll immediately preceding the assessment roll.

To simplify the calculation of the amount of the grant to which individuals may be entitled for a year, municipalities indicate, on the tax account sent for a particular fiscal year or on a prescribed form,³ the amount of the potential grant attributable to the increase in the property value of an entirely residential unit of assessment consisting of only one dwelling, where, pursuant to a new assessment roll applicable to the fiscal year, the increase in the unit's value exceeds the average increase by 7.5%.

According to the data on the first year of the assistance program for seniors to partially offset a municipal tax increase pursuant to a new assessment roll, the amounts calculated by municipalities as potential grants correspond, in almost 99% of cases, to the grants forecast when the program was implemented.

However, in approximately 1% of cases, the amounts calculated by municipalities exceeded all forecasts, primarily because of the unusual area of the units of assessment.

² For greater clarity, only the amount in respect of which a notice of determination was issued is considered to have been allowed.

³ Form FM-210.1-V, "Amount of the Potential Grant to Offset a Municipal Tax Increase."

Therefore, for reasons of fairness, integrity and simplicity, the rules for calculating the grant will be changed to provide that an individual may not include, in the calculation of the grant for a particular year, an amount over \$500 as the potential grant calculated by the municipality for that year.

This change will apply to grant applications filed with Revenu Québec after the date of publication of this information bulletin. However, where, in respect of a specified unit of assessment, 2016 is the last year to which a property assessment roll applies, the amount of the grant allowed by Revenu Québec to an individual in respect of the unit of assessment for that year will be, for the purpose of calculating a grant for a year subsequent to 2016, deemed to be equal to the amount that would have been allowed if the amount of the potential grant for 2016 had been limited to \$500.

Moreover, where more than one individual is entitled to the grant for a particular year in respect of the same unit of assessment, rules are in place so that the aggregate of the amounts claimed by each of the individuals for the year does not exceed the amount that would have been allowed if only one of the individuals had been entitled to the grant for the year. Failing agreement between the individuals, the Minister of Revenue determines the amount each of them may claim.

However, it has become apparent that certain terms and conditions for calculating and sharing the grant could, as of 2017, have undesirable results for co-owners of a residence who are not a couple, especially following the death of one of the owners.

Thus, to ensure the fairness of the program, the terms and conditions for calculating the grant will be changed so that, for any year after 2016 to which a property assessment roll applies, the amount of the grant to which an individual may be entitled in respect of a specified unit of assessment will correspond to the aggregate of the following amounts:

- the lesser of \$500 and the amount of the potential grant attributable to the increase in the property value of the unit, where, pursuant to a new assessment roll, the increase in the unit's value exceeds the average increase by 7.5%;
- the aggregate of the amounts allowed as a grant to the individual or to any other person, in respect of the specified unit of assessment, for the last year to which applies the property assessment roll immediately preceding the assessment roll.⁴

However, where more than one individual is entitled to the grant for a particular year in respect of the same specified unit of assessment, the aggregate of the amounts claimed by each of the individuals for the year must not exceed the amount that would have been allowed if only one of the individuals had been entitled to the grant for the year. Failing agreement between the individuals, the Minister of Revenue determines the amount each of them may claim.

⁴ Where 2016 is the last year to which applies the property assessment roll immediately preceding a particular assessment roll, the aggregate of the amounts allowed as a grant to an individual or to any other person, in respect of the unit of assessment for that year, will be deemed not to exceed \$500.

3. CHANGES TO THE TERMS AND CONDITIONS FOR FILING A FARM PROPERTY TAX CREDIT APPLICATION

The farm property tax credit program eases the property tax burden in respect of immovables used for agricultural purposes and forming part of an agricultural operation registered with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.

As part of Budget 2016-2017, it was announced that certain terms and conditions of this program would be changed so as to greatly simplify, as of 2017, the eligibility conditions under the program and the method for calculating the farm property tax credit.

Currently, a person wishing to obtain a farm property tax credit must apply in writing to the Minister of Agriculture, Fisheries and Food at the time the person's agricultural operation is registered or its registration is updated or renewed, for each unit of assessment that includes an immovable forming part of the operation. The application is valid for a maximum of three years and must be renewed on expiry of the registration of the agricultural operation.

However, if the operator is not the person in whose name the unit of assessment is entered on the roll, the application for a farm property tax credit must be made jointly with that person and renewed annually.

In each of these cases, the right to claim a farm property tax credit for a particular fiscal year is extinguished if it is not exercised by December 31 of the fiscal year.

To facilitate management of the program, the terms and conditions of the farm property tax credit application for a fiscal year beginning after December 31, 2016 will be changed to separate the application from the agricultural operation registration procedure and make it annual in all cases.

More specifically, a farm property tax credit application for a particular fiscal year must be made in writing to the Minister of Agriculture, Fisheries and Food by the operator, for each unit of assessment that includes an immovable forming part of the operator's operation. If the operator is not the person in whose name the unit of assessment is entered on the roll, the application for a farm property tax credit must be made jointly with that person. The application must be accompanied by the information and documents required by regulation.

As is presently the case, the right to claim a farm property tax credit for a particular fiscal year will be extinguished if it is not exercised by December 31 of the fiscal year.

However, an operator that, at the time the operator's agricultural operation is registered or the registration is updated or renewed and no later than November 30, 2016, applies for a farm property tax credit for a unit of assessment that includes an immovable forming part of the operation will be exempt from filing a new application in respect of the unit for the fiscal year beginning in 2017.

4. CLARIFICATIONS CONCERNING THE TERMS AND CONDITIONS OF ADVANCE PAYMENTS OF THE WORK PREMIUM FOR RECIPIENTS OF LAST RESORT FINANCIAL ASSISTANCE

To support and value work effort and encourage people to give up last resort financial assistance to enter the labour market, the tax system grants a work premium, which is paid as a refundable tax credit, to low- and middle-income households.

Two work premiums are granted under this tax credit. The first one is for households whose capacity for employment is not severely limited, while the second one is for households whose capacity for employment is severely limited. In addition, a supplement for long-term recipients giving up last resort financial assistance may be combined with either of the work premiums.⁵

To better support low-income workers, Revenu Québec may, subject to certain conditions, pay in advance, on a monthly basis, part of the work premium to which a household believes it is entitled for a year.

For a work premium to be paid in advance during a particular year, the amount of the work premium to which a household believes it is entitled for the year must be over \$500, in the case of households with children, and over \$300, in other cases.

When all of the conditions for receiving advance payments of a work premium for a year have been met, Revenu Québec pays during the year 50% of the estimated amount of the work premium, in the case of households with children, and 75% of the estimated amount, in other cases.

However, to narrow the gap as much as possible between the tax assistance and expenses relating to the transition to the labour market, the full amount of the supplement for long-term recipients giving up last resort financial assistance may be paid in advance on a monthly basis. Exceptionally, the request for advance payments must be sent to a local employment centre of the Ministère du Travail, de l'Emploi et de la Solidarité sociale, which, after examination, forwards the request to Revenu Québec.

Due to the costs involved, though, transitioning to the labour market can be difficult not only for long-term recipients who give up last resort financial assistance, but also for all recipients gradually entering the labour market.

Thus, to take into account the fact that the rules concerning the advance payment of a work premium are not always in line with the reality of recipients of last resort financial assistance, it was announced, as part of Budget 2016-2017, that special terms and conditions would be introduced as of January 1, 2017, so that the amounts paid to them in advance are more in keeping with their work effort.

The work carried out in recent months by the Ministère du Travail, de l'Emploi et de la Solidarité sociale and by Revenu Québec to implement these new terms and conditions led to, for reasons of efficiency and sound management, a new sharing of responsibilities between the two bodies.

⁵ This supplement, set at \$200 per month, is granted on an individual basis for a maximum of 12 consecutive months.

The Ministère du Travail, de l'Emploi et de la Solidarité sociale will still play a key role in the application of these terms and conditions, since it will remain the body responsible for receiving advance-payment applications from recipients of last resort financial assistance and it will be responsible for regularly sending, to Revenu Québec, information on the work income reported to it by the recipients.

Revenu Québec will be responsible for determining the amount of the advance payments, and for making the payments.

Briefly, once a recipient of last resort financial assistance earns work income in excess of the amount of excluded work income for the purpose of calculating the work premium that may be claimed by the recipient for a year,⁶ the recipient may, in respect of any excess work income reported for a particular month, receive an advance payment corresponding to the product of the multiplication of the rate of the premium by the result obtained by applying a rate of 90% to the amount thus reported for the month.

However, the total of the amounts that will be paid in advance to a recipient for a year may not in any case exceed the maximum amount of the work premium for the year for the category of household (person living alone, couple without children, single-parent family or couple with children) to which the recipient belongs.

5. TAX TREATMENT APPLICABLE TO CERTAIN BENEFITS PAID TO VETERANS

On June 22, 2016, the *Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures*, hereinafter, the “*Budget Implementation Act 2016, No. 1*,” received assent.⁷

To ensure the implementation of the measures proposed in Federal Budget 2016 concerning financial support for veterans,⁸ Division 2 of Part 4 of the *Budget Implementation Act 2016, No. 1* contains various provisions to increase the financial support provided through certain benefits payable under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*,⁹ as well as transitional provisions providing, among other things, that the Minister of Veterans Affairs must pay, to a person who received a disability award or a death benefit under that Act before April 1, 2017, an amount representing the increase granted with respect to the disability award or the death benefit.

In accordance with section 111 of the *Budget Implementation Act 2016, No. 1*, an amount paid or payable as an increase to a person who received a disability award or a death benefit before April 1, 2017 is deemed, for the purposes of paragraph 81(1)(d.1) of the *Income Tax Act*, to be a disability award or a death benefit, as the case may be, payable to the taxpayer under Part 3 of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*.

⁶ In the case of a person newly accepted as a recipient of last resort financial assistance, work income earned during the period of the year preceding the person's acceptance will not be taken into consideration.

⁷ S.C. 2016, c. 7.

⁸ DEPARTMENT OF FINANCE CANADA, *Growing the Middle Class*, Budget Plan 2016, March 22, 2016, pp. 175 and 176.

⁹ S.C. 2005, c. 21.

It follows that, for the purposes of the federal tax system, a taxpayer will not be required to include, in the calculation of his or her income, the amount representing the increase granted with respect to a disability award or a death benefit, as the case may be.

Since the Québec tax system is harmonized with the federal tax system regarding the tax treatment applicable to a disability award or a death benefit payable under Part 3 of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, the *Taxation Act* will be amended so that the increase paid or payable under any of sections 100 to 103 of the *Budget Implementation Act 2016, No. 1* with respect to a disability award or a death benefit, as the case may, receives the same tax treatment as that applicable to the disability award or death benefit. This amendment will come into force as of April 1, 2017.

In addition, Québec's tax legislation will be amended to take into account the fact that the permanent impairment allowance payable under Part 2 of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* will be renamed "career impact allowance" as of April 1, 2017.

6. HARMONIZATION WITH NEWS RELEASE 2016-011 OF THE DEPARTMENT OF FINANCE CANADA

On January 15, 2016, the Department of Finance Canada issued a news release¹⁰ announcing draft legislative proposals concerning the tax rules governing certain trusts and their beneficiaries.

Briefly, these legislative proposals clarify what types of investment funds are excluded from the loss restriction event rules and change the balance-due day and certain filing deadlines further to a loss restriction event. They also ensure that the income of an exclusive spousal trust or a similar trust, on the death of the trust's primary beneficiary, is taxed in the trust and not in the hands of that beneficiary, subject to a joint election allowing the income of certain testamentary trusts to be deemed to have become payable to their primary beneficiary for the trust's taxation year that is deemed to end at the end of the beneficiary's day of death. Lastly, they allow greater flexibility in the income tax rules for recognizing charitable donations made by an individual's estate while it was a graduated rate estate, or by certain trusts following the death of their beneficiary.

Since the Québec tax system is generally harmonized with the federal tax system regarding the loss restriction event rules, the rules governing the taxation of trusts and their beneficiaries and the charitable donation rules, Québec's tax legislation will be amended to incorporate, with adaptations based on its general principles, most of the legislative proposals made in this respect by the Department of Finance Canada.

¹⁰ DEPARTMENT OF FINANCE CANADA, *News Release 2016-011: Department of Finance Releases Legislative Proposals on the Tax Rules for Certain Trusts and Their Beneficiaries*, January 15, 2016, www.fin.gc.ca/n16/16-011-eng.asp.

However, the legislative proposals pertaining to the calculation of interest on a capital gains refund of a mutual fund trust, the filing of a return under parts X.2 and XII.2 of the *Income Tax Act* and the filing of the NR4 slip, Statement of Amounts Paid or Credited to Non-Residents of Canada, will not be accepted, because the Québec tax system does not have corresponding provisions.¹¹

All of the other federal legislative proposals will be accepted, it being understood, in respect of the joint election allowing the income of certain testamentary trusts to be deemed to have become payable to their primary beneficiary for the trust's taxation year that is deemed to end at the end of the beneficiary's day of death, that, where a valid election is made for the purposes of the federal tax legislation, the same election will be deemed to have been made for the purposes of Québec's tax legislation. In the event that no valid election is made for the purposes of the federal tax legislation, no election will be possible for the purposes of Québec's tax legislation.

For greater clarity, the changes to the Québec tax system will be adopted only following assent to any federal statute giving effect to these legislative proposals, taking into account technical amendments that may be made prior to assent. In addition, they will apply on the same dates as those retained for the purposes of the federal legislative proposals with which they are harmonized.

7. HARMONIZATION WITH NEWS RELEASE 2016-091 OF THE DEPARTMENT OF FINANCE CANADA

On July 22, 2016, the Department of Finance Canada made public, in a news release¹², draft legislative and regulatory proposals relating to the goods and services tax and the harmonized sales tax (GST/HST).

In accordance with the principle of general harmonization of the Québec sales tax (QST) system with the GST/HST system, changes will be made to the Québec tax system to incorporate, with adaptations on the basis of its general principles and with its specific features and the provincial context underlying the QST taken into account, the proposed federal measures to:

- revise the GST/HST rules applicable to pension plans to ensure that they apply fairly and effectively to pension plans that use master trusts or master corporations;
- improve the clarity and effectiveness of the GST/HST rules applicable to certain pension plans and financial institutions by introducing clarifications and technical improvements to these rules;
- extend the application of the GST/HST rules relating to selected listed financial institutions to include group trusts for registered education savings plans;

¹¹ These draft legislation amendments introduce paragraphs 251.2(7)(a), (d) and (e) of the *Income Tax Act* and paragraph 251.2(7)(f) of that Act, where it refers to subsection 202(8) of the *Income Tax Regulations*.

¹² DEPARTMENT OF FINANCE CANADA, *News Release 2016-091: Department of Finance Releases Legislative and Regulatory Proposals Relating to the Goods and Services Tax/Harmonized Sales Tax*, July 22, 2016, www.fin.gc.ca/n16/16-091-eng.asp.

- revise and modernize the GST/HST drop shipment rules to enhance the effectiveness of these rules and introduce technical improvements;
- clarify the application of the GST/HST to supplies of municipal transit services to accommodate the modern ways in which those services are provided and paid for;
- introduce housekeeping amendments to improve the accuracy and consistency of the GST/HST legislation and regulations, except where such amendments are not required in the Québec tax system, because it does not have equivalent provisions or the equivalent provisions are satisfactory in terms of accuracy and consistency.

However, the changes to the QST system will be adopted only following assent to any federal statute or adoption of any federal regulation giving effect to these GST/HST measures, taking into account technical amendments that may be made prior to assent or adoption. They will generally apply on the same dates as those retained for the purposes of the federal measures with which they harmonize, subject to the adaptations necessary particularly in regard to certain amendments to provisions concerning financial institutions with which the QST system has been harmonized only since January 1, 2013.

8. CLARIFICATIONS CONCERNING THE DEADLINE BY WHICH CERTAIN EMPLOYERS MUST OFFER A VOLUNTARY RETIREMENT SAVINGS PLAN

In force since July 1, 2014, the *Voluntary Retirement Savings Plans Act* establishes a type of retirement plan accessible, to the extent permitted by tax rules, to all individuals, including self-employed workers and workers whose employer does not subscribe to such a plan.

Briefly, this Act provides that an employer having an establishment in Québec and employing, on December 31 of a given year, five eligible employees¹³ or more must, in the year that follows, subscribe to a voluntary retirement savings plan and automatically enroll those employees in the plan. However, these obligations do not apply with respect to eligible employees who benefit from a registered retirement savings plan or a tax-free savings account for which payroll deductions may be made, or who belong to a category of employees who benefit from a registered pension plan.

To take into account the time inherently involved in implementing this new retirement savings product, the *Voluntary Retirement Savings Plans Act* includes a transitional provision that establishes a time period deferring, on the basis of a business's size, the time when employers with at least five eligible employees must meet the obligations to subscribe to a voluntary retirement savings plan and enroll their eligible employees in the plan.

However, there are inaccuracies in the wording of this transitional provision that could cause certain interpretation problems.

¹³ An employee who is 18 years of age or over and is credited with one year of uninterrupted service within the meaning of the *Act respecting labour standards* is generally considered an eligible employee.

Accordingly, while the time period established will be maintained, the transitional provision will be amended to provide that:

1. the second paragraph of section 45 of the *Voluntary Retirement Savings Plans Act* applies solely to an employer who employs five eligible employees or more on December 31 of a year after the year determined by the government, which may not be prior to 2016;
2. despite paragraph 1, an employer must meet the obligations set forth in the second paragraph of section 45 of this Act no later than the first of the following dates:
 - December 31, 2016, where the employer employed five eligible employees or more on December 31, 2015 and employed at least 20 on June 30, 2016;
 - December 31 of a given year after 2016 and before the second year following the year determined by the government for the purposes of paragraph 1, where the employer employs five eligible employees or more on December 31 of the year preceding the given year and employs at least ten on June 30 of the given year.