

ENHANCEMENT OF THE REFUNDABLE TAX CREDIT ATTRIBUTING A WORK PREMIUM

To support and value work effort and encourage people to enter the labour market, the tax system grants low- and middle-income households a work premium in the form of a refundable tax credit.

The refundable tax credit attributing a work premium is comprised of a general work premium, for households whose capacity for employment is not severely limited, and of an adapted work premium, for households whose capacity for employment is severely limited.

A monthly supplement of \$200 for long-term recipients leaving social assistance (hereinafter, the “supplement to the work premium”) may be combined with either of these work premiums.

In general, the tax credit is for any individual¹ who is resident in Québec at the end of a year, provided the individual, at that time, has recognized status (such as Canadian citizenship or permanent resident status) and is a person of full age, an emancipated minor within the meaning of the *Civil Code of Québec*, the spouse of another individual, or the father or mother of a child with whom the individual resides.

The work premiums granted under the tax credit are reduced on the basis of family income and determined by taking into account eligible work income and household composition.

The maximum amount that may be granted as a work premium for a year is equal to the amount obtained by applying, to the amount representing the amount by which the lesser of the household’s eligible work income² and the reduction threshold applicable to the household exceeds excluded work income,³ the rate set in its regard.

The reduction based on family income is 10% for each dollar of a household’s family income that exceeds the applicable reduction threshold.

¹ However, no amount is granted under the tax credit to a person who, at the end of the year, was confined to a prison or similar institution and had been so confined during the year for one or more periods totalling more than six months, a person in respect of whom tax relief was received for the year or a person with no children who was a full-time student during the year.

² Briefly, a household’s eligible work income means the income of an individual and, as the case may, the individual’s eligible spouse, from an office or employment or from the carrying on of a business.

³ Excluded work income stands at \$2 400 for a person living alone and \$3 600 for a couple, for the purpose of calculating the general work premium, and at \$1 200 in all cases, for the purpose of calculating the adapted work premium.

The reduction thresholds of the work premiums are adjusted annually. Briefly, the reduction threshold applicable to a typical household for a particular year corresponds to the higher of the reduction threshold applicable to the household for the previous year and the amount established for the year as the cut-off threshold of the Social Assistance Program⁴ for the purpose of the general work premium, and as the cut-off threshold of the Social Solidarity Program⁵ for the purpose of the adapted work premium.

As part of the Québec Economic Plan update of November 21, 2017,⁶ three measures were announced to enhance the refundable tax credit attributing a work premium. The measures affected the general work premium, the adapted work premium and the supplement to the work premium.

First, it was announced that, for the years from 2018 to 2022, the rate for calculating the general work premium and that for calculating the adapted work premium, in respect of households without children, would be raised gradually by 1.8 percentage points over five years, from 9% to 10.8% and from 11% to 12.8%, respectively.

Second, the conditions of the supplement to the work premium were eased, to shorten the period during which individuals must have received social assistance for the purpose of determining their eligibility for the supplement to the work premium. It was also announced that benefits received under the new Aim for Employment Program, which will replace the Youth Alternative Program as of April 1, 2018, would be taken into consideration in determining an individual's eligibility for the supplement.

To help reduce poverty with respect to households without children and further increase the incentive to work, and to implement the commitments announced when the Government Action Plan to Foster Economic Inclusion and Social Participation (2017–2023) was presented by the Minister of Employment and Social Solidarity, the refundable tax credit attributing a work premium will again be enhanced, through the replacement of the increases in the rates for calculating the general work premium and the adapted work premium for households without children, announced on November 21, 2017, by higher increases.

The tax legislation will therefore be amended to gradually raise, as of 2018, the rate applicable to this type of household for calculating the maximum amount of the general work premium and the maximum amount of the adapted work premium.

For greater clarity, the easing of the eligibility criteria of the supplement to the work premium and the recognition of benefits received under the Aim for Employment Program for the purposes of these criteria, announced as part of the Québec Economic Plan update of November 21, 2017, will be maintained.

⁴ This last resort financial assistance program is provided for in the *Individual and Family Assistance Act* (CQLR, chapter A-13.1.1). The purpose of the program is to grant last resort financial assistance to persons whose capacity for employment is not severely limited and encourage such persons to engage in activities promoting their entry on the labour market or their social and community participation.

⁵ This last resort financial assistance program is provided for in the *Individual and Family Assistance Act*. While granting last resort financial assistance to persons whose capacity for employment is severely limited, the purpose of the program is to foster the inclusion and social participation of such persons and their active contribution to society.

⁶ MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2017-11*, November 21, 2017, pp. 12-15.

☐ Increase in the rate for calculating the general work premium for households without children

In the case of the general work premium for households without children, the existing rate of 9% will be raised by 2.6 percentage points over five years, to 11.6% in 2022.

The following table shows the increase in the rate for calculating the general work premium for households without children for each of the years from 2018 to 2022.

TABLE

Rate for calculating the general work premium for households without children
(per cent)

	2017	2018	2019	2020	2021	2022
Rate	9.0	9.4	10.5	10.8	11.2	11.6
Increase	n/a	0.4	1.5	1.8	2.2	2.6

☐ Increase in the rate for calculating the adapted work premium for households without children

In the case of the adapted work premium for households without children, the existing rate of 11% will also be raised by 2.6 percentage points over five years, to 13.6% in 2022.

The following table shows the increase in the rate for calculating the adapted work premium for households without children for each of the years from 2018 to 2022.

TABLE

Rate for calculating the adapted work premium for households without children
(per cent)

	2017	2018	2019	2020	2021	2022
Rate	11.0	11.4	12.5	12.8	13.2	13.6
Increase	n/a	0.4	1.5	1.8	2.2	2.6

For information concerning the matter dealt with in this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus 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.