



FISCAL MEASURES ANNOUNCED IN THE *UPDATE ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION* AND OTHER MEASURE

This information bulletin makes public the fiscal measures announced by the Minister of Finance in the fall 2018 *Update on Québec's Economic and Financial Situation*.

It also makes public the amendments that will be made to the tax regulations for the purpose of calculating the reduction thresholds for determining the work premiums so as to take into account the employee first additional contribution to the Québec Pension Plan payable as of 2019.

For information concerning the matters 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.

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1. MEASURES CONCERNING INDIVIDUALS ANNOUNCED IN THE *UPDATE ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION*

1.1 Enhancement of the maximum amount of the child assistance payment for second and third children

The refundable tax credit for child assistance (RTCCA) has occupied an important place in Québec's family policy by providing families with financial assistance to help them provide for their children under 18 years of age.

This tax credit is composed of a child assistance payment, a supplement for the purchase of school supplies, a supplement for handicapped children and a supplement for handicapped children with exceptional care needs.

The child assistance payment, which includes a universal base, is determined according to family income, so that additional assistance is granted to low- and middle-income families. These three supplements are granted irrespective of family income.

The supplement for handicapped children is granted in respect of a child who has an impairment or a mental function disability that substantially limits the child in performing the life habits of a child of his or her age during a foreseeable period of at least one year.

Given the exceptional handicap situations faced by certain children and their parents, and the major impact that the condition of children who are seriously ill or who have severe disabilities always has on their families, financial assistance has been granted to these families under the tax system through the supplement for handicapped children with exceptional care needs. This supplement thus increases the amount of assistance provided for severely handicapped children.

Retraite Québec is responsible for paying the RTCCA to Québec families. Retraite Québec makes the RTCCA payments on a quarterly basis, except for the component attributable to the supplement for the purchase of school supplies. Payments are made in January, April, July and October and include the amounts determined for the months of the quarter. Upon request, Retraite Québec makes RTCCA payments every month, with the amount being for that month only. The supplement for the purchase of school supplies is paid once a year, in July.

The RTCCA is determined on a monthly basis. Briefly, the child assistance payment to which an eligible individual¹ is entitled for a given month is calculated in two steps. The first step involves determining the particular amount that is equal to the total of the maximum amounts that apply, for the year that includes the given month, in respect of the individual based on how many eligible dependent children² the individual has at the beginning of the given month and the individual's conjugal status at the beginning of the month (without or without a spouse).

¹ Briefly, a person is an eligible individual if, for a particular month, the person resides with the child in Québec at the beginning of the month, is the child's father or mother, has (or the individual's spouse has) a recognized status, such as Canadian citizenship or permanent resident status, and is not exempt from tax.

² Briefly, an eligible dependent child, at the beginning of given month, is a person under the age of 18 at that time who is not a person in respect of whom an individual has deducted, in calculating his or her tax otherwise payable for the reference year relative to a given month, an amount under the unused portion of certain non-refundable tax credits to the spouse.

The second step involves reducing, as required, the particular amount based on the individual's family income, meaning, generally speaking, the individual's income for the reference year relative to the given month³ and the income for the reference year of the person who is the individual's spouse at the beginning of the given month. For 2018, the reduction on the basis of family income is at a rate of 4% for each dollar of family income that exceeds a threshold of \$48 246, if the individual has a spouse, or \$35 096 in other cases.

However, the amount thus reduced may never be less than the total of the minimum amounts that apply, for the year that includes the given month, in respect of an individual based on how many eligible dependent children the individual has at the beginning of the given month and the individual's conjugal status at the beginning of the month (with or without a spouse).

Afterwards, the amount thus determined is then converted to a monthly basis by dividing it by 12. Lastly, when a child is in shared custody, meaning that he or she lives alternately with each parent at least 40% of the time each month, the RTCCA is paid to both parents, but the amount that each receives is reduced by half.⁴

❑ Enhancement of the maximum amount for second and third children

As of taxation year 2019, the RTCCA will become the refundable tax credit granting an allowance to families, and the child assistance payment that it includes will be renamed the family allowance. The parameters for calculating the tax credit will also be enhanced, beginning in taxation year 2019, so that the financial assistance it provides to families is fairer.

More specifically, to better recognize the extra costs incurred by families with more than one child, the tax legislation will be amended so as to increase by \$500 the maximum amount for an eligible individual's second and third eligible dependent children with respect to the calculation of the family allowance to which the individual will be entitled⁵. This enhancement of the maximum amount for the second and third child will thus increase the financial assistance granted to low- and middle-income families with several children.

The following table illustrates the maximum amount for 2019 for each child of a family, based on the child's rank, used to calculate the family allowance.

Maximum amounts used to calculate the family allowance – 2019
(dollars)

	Before enhancement	After enhancement	Difference
1st child	2 472	2 472	—
2nd child	1 235	1 735	500
3rd child	1 235	1 735	500
4th and next children	1 852	1 852	—

³ For the months of January to June of a given year, the reference year is the second calendar year preceding the given year. For the months of July to December of a given year, the reference year is the calendar year that precedes the given year.

⁴ Additional calculation rules apply when one or more children in a family are in shared custody.

⁵ For greater clarity, the maximum amount for each second and third child thus enhanced for 2019 will be adjusted automatically each year as of 2020 in accordance with the usual rules.

- **Payment of the portion of the family allowance for January to March 2019 that is attributable to the enhancement of maximum amount for second and third children**

Exceptionally, the part of the family allowance amount for January to March 2019 attributable to the \$500 enhancement of the maximum amount for each of an eligible individual's second and third eligible dependent children will be paid by Retraite Québec in the first 15 days of April 2019.

Accordingly, the payment that will be made in April 2019 by Retraite Québec to an individual will include the family allowance amount for the month of April—when the individual has requested the tax credit to be paid on a monthly basis, or the family allowance amount for the quarter including the months of April, May, and June, in other cases, as well as the adjustment, which takes into account the additional amount that, as applicable, would otherwise have been paid to the individual as family allowance for the months of January to March 2019 under this enhancement.

1.2 Introduction of a refundable tax credit for senior assistance

Many seniors must cope with modest incomes and as such may find themselves in a precarious financial state. In order to further assist low-income seniors, an income support measure, the refundable tax credit for senior assistance, will be introduced as of taxation year 2018. For the lowest-income seniors, this refundable tax credit may be up to \$200 for a single senior and \$400 for a senior couple, for a taxation year.

□ Determination of the refundable tax credit for senior assistance

An eligible individual for a taxation year may obtain, for this taxation year, a refundable tax credit of a maximum amount corresponding to the aggregate of \$200, if the individual is at least 70 years of age at the end of the year—or, if the individual died in the year, at the date of his or her death—and \$200, if, as the case may be, the individual's eligible spouse for the year is both at least 70 years of age at the end of the year—or, if the spouse died in the year, at the date of his or her death—and an eligible individual for the year.

The refundable tax credit for senior assistance will be reducible at a rate of 5% for each dollar of family income that exceeds the threshold applicable to the individual for the taxation year based on his or her conjugal status. This threshold will be \$22 500, when the individual has no eligible spouse for the year, and \$36 600 when he or she has such a spouse.

■ Eligible individual

An eligible individual, for a taxation year, will mean an individual who, at the end of December 31 of the taxation year—or, if the individual died in the year, on the date of his or her death—meets the following conditions:

- the individual is resident in Québec, or, if the individual is the eligible spouse for the year of a person who is deemed resident in Québec throughout the year, the individual was resident in Québec during a prior year;

- the individual has or the individual's eligible spouse for the year has, the status of one of the following:
 - a Canadian citizen,
 - a permanent resident within the meaning of subsection 1 of section 2 of the *Immigration and Refugee Protection Act*⁶,
 - a temporary resident or a holder of a temporary resident permit, within the meaning of the *Immigration and Refugee Protection Act*, who was resident in Canada during the 18-month period preceding that time,
 - a protected person within the meaning of the *Immigration and Refugee Protection Act*,
- the individual is not an excluded individual.

An excluded individual at any time in a taxation year designates one of the following persons:

- a person who is confined to a prison or similar institution and was so confined during the taxation year⁷ for one or more periods totalling more than six months;
- a person who is exempt from tax under section 982 or 983 of the *Taxation Act* or under any of subparagraphs a to d and f of the first paragraph of section 96 of the *Tax Administration Act* for the taxation year, or the eligible spouse for the year of such a person.

For greater clarity, a person who enjoys a temporary leave of absence from a prison or similar institution to which he or she is confined will be—for the purposes of applying the provisions relative to the refundable tax credit for senior assistance—deemed to be confined to that prison or institution for each day of the year during which the person enjoys such leave.

■ Eligible spouse

For the application of the refundable tax credit for senior assistance, the eligible spouse of an individual for a particular taxation year is the person who is the individual's eligible spouse for the year for the purposes of the transfer to the spouse of the unused portion of certain non-refundable tax credits.

In general, for the purposes of the transfer, the eligible spouse of an individual for a particular year is the person who is the individual's spouse at the end of the year and who, at that time, is not living separate and apart from the individual or, where the individual does not have a spouse at the end of the year, the last person who was the individual's spouse during the year, if that person died during the year and, at the time of death, was the individual's spouse and was not living separate and apart from the individual.

⁶ S.C. 2001, c. 27.

⁷ For greater certainty, section 779 of the *Taxation Act* will not apply where the individual goes bankrupt during a calendar year.

For greater clarity, a person is not considered to be living separate and apart from an individual at a particular time unless he or she was living separate and apart from the individual at that time, because of a breakdown of their conjugal relationship, for a period of at least 90 days that includes that time.

■ **Family income**

The family income of an individual for a particular taxation year is the income of the individual for the year and, as applicable, that of the individual's eligible spouse for the year.

However, if an individual or the individual's eligible spouse for a taxation year goes bankrupt during a calendar year, the rule under which the bankrupt's taxation year is deemed to begin on the date of the bankruptcy and the current taxation year is deemed to end the day before that date will not apply for the purposes of determining the individual's family income for the taxation year.

In addition, where an individual is not resident in Canada throughout a particular year, the individual's income for that year will be deemed to be equal to the income that would have been determined in his or her regard had he or she been resident in Québec and Canada throughout the year or, if the individual died during the year, throughout the period of the year preceding his or her death.

■ **Sharing of the refundable tax credit between the spouses**

The refundable tax credit for senior assistance will be shared between the spouses based on the proportion they have agreed to in a prescribed form. When an individual and the individual's eligible spouse for the year are both eligible individuals for the year, the amount of the tax credit to which the individual would otherwise have been entitled will be reduced by the amount of the tax credit that they will have agreed to attribute to the eligible spouse.

If there is no agreement among the individuals, the Minister of Revenue will determine the amount of the refundable tax credit for senior assistance that each of them may claim.

□ **Annual adjustment of parameters used to calculate the refundable tax credit for senior assistance**

The parameters for calculating the refundable tax credit for senior assistance, which are the amounts included in the aggregate constituting the maximum amount of the tax credit and the applicable reduction thresholds based on the individual's conjugal status, will be automatically adjusted each year as of 2019.

As with the adjustment of the main parameters of the personal income tax system, the index to be used with respect to the supplement will correspond to the percentage change in the overall average Québec consumer price index without alcoholic beverages and tobacco products (QCPI-WAT) for the 12-month period ending on September 30 of the year preceding the one for which the amount is to be adjusted, compared to the average QCPI-WAT for the 12-month period ended on September 30 of the year prior to the year preceding the one for which the amount is to be adjusted.

This index will be applied, for a particular year, to the previous year's value of the amount subject to adjustment. For greater clarity, when the result obtained by applying the index to each of the amounts included in the aggregate constituting the maximum amount of the tax credit is not a multiple of 1, it will be adjusted to the nearest multiple of 1 or, if it is equidistant from two multiples of 1, to the nearest higher multiple of 1. When the result obtained by applying the index to the amount of each of the reduction thresholds applicable based on an individual's conjugal status does not correspond to a multiple of 5, it will be adjusted to the nearest multiple of 5 or, if it is equidistant from two multiples of \$5, rounded to the nearest higher multiple of 5.

□ **Automatic payment of the refundable tax credit for senior assistance**

When neither the eligible individual, nor the individual's spouse for the year, as the case may be, claim the refundable tax credit for senior assistance, the Minister of Revenue may pay the tax credit to which the individual is entitled to such individual or to the individual's eligible spouse, or share the tax credit between them based on a proportion that the Minister determines, insofar as the Minister has the information necessary to determine their eligibility for the refundable tax credit for senior assistance.

For greater clarity, to claim this new refundable tax credit for a taxation year, the individual and, as the case may be, the individual's eligible spouse for the year, will have to have filed their tax return for the taxation year.

2. MEASURES CONCERNING BUSINESSES ANNOUNCED IN THE *UPDATE ON QUÉBEC'S ECONOMIC AND FINANCIAL SITUATION*

2.1 Harmonization with certain measures announced in the Fall Economic Statement 2018 of the Department of Finance Canada

On November 21, 2018, Department of Finance Canada presented the *Fall Economic Statement 2018*.⁸ A number of changes to the federal tax legislation and regulations were proposed at that time.

Accordingly, in the Notice of Ways and Means Motion to amend the *Income Tax Act* and the *Income Tax Regulations*, accompanying the *Fall Economic Statement 2018*, the Department of Finance Canada proposes changes to the federal tax system as regards the capital cost allowance. The aim of these changes is to:

- allow taxpayers to write off the full cost of machinery or equipment used in manufacturing or processing for the taxation year in which the property becomes available for use, where such property becomes available for use before 2024, with a gradual reduction afterwards;
- allow taxpayers to write off the full cost of clean energy generation equipment, for the taxation year in which the property becomes available for use, where such property becomes available for use before 2024, with a gradual reduction afterwards;

⁸ Department of Finance Canada, *Fall Economic Statement 2018: Investing in Middle Class Jobs*.

- introduce an accelerated investment incentive, namely, an accelerated capital cost allowance making it possible to claim up to three times the amount that could otherwise be deducted for the taxation year in which the property becomes available for use.

Subject to the special rules mentioned below with regard to a property that is qualified intellectual property or property that is composed of general-purpose electronic data processing equipment, the Québec tax regulations will be amended to incorporate, with adaptations based on its general principles, the proposed amendments to the *Income Tax Regulations* concerning accelerated depreciation.⁹

The changes to the Québec tax system will be adopted only following the adoption of any federal regulation implementing the regulatory proposals retained, taking into account technical amendments that may be made prior to adoption. More specifically, these changes will apply on the same dates as those retained for the purposes of the federal measures with which they are harmonized.

In addition, the Ministère des Finances du Québec will make known at a later date its position on the other fiscal measures announced when the *Fall Economic Statement 2018* was tabled.

❑ **Accelerated depreciation of property that is qualified intellectual property or general-purpose electronic data processing equipment**

The proposed changes to the federal tax system regarding accelerated depreciation will be adjusted, for the purposes of Quebec's tax system, so that a taxpayer may deduct, for the taxation year in which the property becomes available for use, the full cost of acquisition of a property that is qualified intellectual property or general-purpose electronic data processing equipment.

■ **Special rules applicable in the case of qualified intellectual property**

Where an accelerated investment incentive property¹⁰ is qualified intellectual property that is property included in Class 14 of Schedule B to the *Regulation respecting the Taxation Act*, the product obtained by multiplying, by 0.5, the portion of the capital cost of the property for the taxpayer determined on the basis of the property's remaining life at the time the cost was incurred, for the taxation year in which the property becomes available for use, will be replaced, when the property becomes available for use before 2024, by an amount corresponding to the amount by which the capital cost of the property for the taxpayer exceeds that portion.

⁹ Notice of Ways and Means Motion to amend the *Income Tax Act* and the *Income Tax Regulations*, sections 3 to 10 and section 11 relating to the changes retained.

¹⁰ The expression "accelerated investment incentive property" refers to property defined in section 4 of the Notice of Ways and Means Motion to amend the *Income Tax Act* and the *Income Tax Regulations* (see note 9), with which the *Regulation respecting the Taxation Act* will be harmonized, with adaptations based on its general principles.

Where an accelerated investment incentive property is qualified intellectual property that is incorporeal capital property to which a capital cost allowance rate of 5% applies,¹¹ the variable “0.5” used to determine the amount to be added to the undepreciated capital cost of property in that class, at the end of the taxation year in which the property becomes available for use (before any deduction in respect of the capital cost allowance for the year), will be replaced by the variable “19” where the property becomes available for use before 2024. Where the property becomes available for use in 2024 or 2025, the variable “0” will be replaced by “9”.

Where an accelerated investment incentive property is qualified intellectual property that is a property included in Class 44 of Schedule B to the *Regulation respecting the Taxation Act*, the variable “0.5” used to calculate the amount to be added to the undepreciated capital cost of property in that class, at the end of the taxation year in which the property becomes available for use (before any deduction in respect of the capital cost allowance for the year), will be replaced by the variable “3” where the property becomes available for use before 2024. Where the property becomes available for use in 2024 or 2025, the variable “0” will be replaced by “1”.

▪ **Qualified intellectual property**

Qualified intellectual property will mean property acquired after the day of publication of this information bulletin, that is a patent or a right to use patented information, a licence, a permit, know-how, a commercial secret or other similar property constituting knowledge, and that:

- is property included in Class 14 of Schedule B to the *Regulation respecting the Taxation Act*, property included in Class 44 of that schedule or property that is incorporeal capital property;¹²
- is acquired by a taxpayer in the course of a technology transfer or is developed by or on behalf of the taxpayer with a view to enabling the taxpayer to implement an innovation or invention concerning the taxpayer’s business;
- begins to be used within a reasonable time after being acquired or after its development is completed;
- is used, for the period covering the process of implementing the innovation or invention (hereinafter, “implementation period”), only in Québec and primarily in the course of carrying on a business by the taxpayer or, where applicable, by a person with whom the taxpayer does not deal at arm’s length and who acquired the property in circumstances in which a transfer, amalgamation or winding-up occurred;¹³
- is not, for the implementation period, property used for earning or producing gross revenue consisting of rent or royalty;
- is not property acquired from a person or partnership with which the taxpayer does not deal at arm’s length.

¹¹ Property contemplated in Class 14.1 of Schedule II of the *Income Tax Regulations* with which Québec’s tax regulations will be harmonized, as announced in *Information Bulletin 2016-5* of May 6, 2016 (p. 2).

¹² See the preceding note.

¹³ These circumstances are those set forth in section 130R149 of the *Regulation respecting the Taxation Act*.

Qualified intellectual property does not include a trade mark, an industrial design, a copyright or other similar property constituting the expression of knowledge.

The expression “technology transfer” means the transmission to a taxpayer of knowledge in the form of know-how, techniques, processes or formulas, with a view to enabling the taxpayer to implement an innovation or invention concerning the taxpayer’s business.

In addition, intellectual property will be deemed to be used only in Québec where it is used as part of the process of implementing an innovation or invention and where the efforts to implement that innovation or invention are made only in Québec.

More specifically, if at any time in the implementation period, an event occurs that prevents one of the conditions allowing intellectual property to be qualified intellectual property from being met, the intellectual property will not be qualified intellectual property.¹⁴

■ **Special rules applicable in the case of general-purpose electronic data processing equipment**

Where an accelerated investment incentive property is property composed of general-purpose electronic data processing equipment and systems software for that equipment, namely, property included in Class 50 of Schedule B to the *Regulation respecting the Taxation Act*, acquired after the day of publication of this information bulletin and used primarily in Québec in the course of carrying on a business, the variable “0.5” used to determine the amount to be added to the undepreciated capital cost of property in that class, at the end of the taxation year in which the property becomes available for use (before any deduction in respect of the capital cost allowance for the year), will be replaced by the variable “9/11” where the property becomes available for use before 2024.

2.2 Change and elimination of the additional capital cost allowance of 60%

When the March 2018 *Québec Economic Plan* was tabled,¹⁵ an additional capital cost allowance of 60% was introduced.

¹⁴ Accordingly, the taxpayer will be required to file an amended return for all taxation years prior to the one in which occurred the event that prevents the intellectual property from being a qualified intellectual property and for which the tax consequences arise from that fact. The Minister of Revenue may, at any time, redetermine the tax, interest and penalties payable for those taxation years, in accordance with the rules set out in sections 1000.2, 1000.3 and 1010.0.0.1 of the *Taxation Act*.

¹⁵ Ministère des Finances du Québec, *The Québec Economic Plan – Additional Information 2018-2019*, March 27, 2018, p. A.63 to A.66.

That additional capital cost allowance applies to a qualified property, which is, briefly, manufacturing or processing equipment¹⁶ and general-purpose electronic data processing equipment,¹⁷ acquired before April 1, 2020 and that was new at the time of its acquisition. The allowance is available for a two-year period, that is, the taxation year in which the qualified property becomes available for use by the taxpayer and the following year. The amount that a taxpayer may deduct in computing income in respect of qualified property, on account of the additional capital cost allowance, is equal to 60% of the portion of the capital cost allowance amount that the taxpayer claimed for the year, for the class to which the property belongs, and that is attributable to the property.

Following the increase announced in this information bulletin¹⁸ in the amount of the capital cost allowance that a taxpayer may claim in computing income in respect of property, for the taxation year in which the property becomes available for use, changes will be made to the tax legislation so as to maintain the same level of effective assistance associated with the additional capital cost allowance of 60% as that provided for at the time the allowance was introduced. These changes will apply to qualify property acquired after November 20, 2018 and before the day of publication of this information bulletin, which is the day preceding the one on which the additional capital cost allowance of 60% is eliminated.

2.2.1 Change to the additional capital cost allowance of 60%

The tax legislation will be amended so that the amount that a taxpayer may deduct in computing income, on account of the additional capital cost allowance of 60% in respect of qualified property, for the taxation year in which the property becomes available for use, and for the following year, may not exceed the amount calculated in accordance with the terms and conditions mentioned below.¹⁹

□ Taxation year in which property becomes available for use

The amount that a taxpayer may deduct in computing income, on account of the additional capital cost allowance of 60% in respect of qualified property, for the taxation year in which the property becomes available for use, will be equal to the lesser of the amount corresponding to the letter E and that corresponding to the letter F.

The amount corresponding to E will be equal to 60% of the portion of the capital cost allowance amount that the taxpayer claimed for the year, for the class to which the qualified property belongs, and that is attributable to the property. More specifically, the letter E corresponds to the amount determined by the following formula:

$$A \times B/C$$

¹⁶ Property in Class 53 of Schedule B to the *Regulation respecting the Taxation Act*.

¹⁷ Property in Class 50 of Schedule B to the *Regulation respecting the Taxation Act*.

¹⁸ See section 2.1.

¹⁹ These changes to the additional capital cost allowance will also apply, with the necessary adaptations, when qualified property is acquired by a partnership.

In this formula:

- A is the product of multiplying, by 60%, the amount deducted by the taxpayer in computing income for the taxation year, on account of the capital cost allowance for the class to which the qualified property belongs;
- B is the amount added to the undepreciated capital cost of the class to which the qualified property belongs, for the taxation year, which is attributable to the property;²⁰
- C is the undepreciated capital cost, at the end of the taxation year, of the property in the class that includes the qualified property (before any deduction in respect of the capital cost allowance for the year).

The amount corresponding to F will be equal to:

- 16.5% of the cost of acquisition of the property, where the qualified property is included in Class 50 of Schedule B to the *Regulation respecting the Taxation Act*;
- 15% of the cost of acquisition of the property, where the qualified property is included in Class 53 of Schedule B to the *Regulation respecting the Taxation Act*.

In addition, where the taxation year of the taxpayer in which the property becomes available for use has fewer than 365 days, the amount corresponding to F will then be equal to the product obtained by multiplying the amount calculated otherwise by the proportion that the number of days in the taxation year is of 365.

□ Taxation year following that in which property becomes available for use

The amount that a taxpayer may deduct in computing income, on account of the additional capital cost allowance of 60%, for the taxation year following that in which the property becomes available for use, in respect of qualified property owned by the taxpayer at the end of the taxation year, will be equal to the lesser of the amount corresponding to the letter G and that corresponding to the letter H.

The amount corresponding to G will be equal to the total, on the one hand, of the amount corresponding to E in excess of that corresponding to F, calculated in respect of the qualified property for the taxation year in which the property becomes available for use, and, on the other hand, of the additional capital cost allowance of 60% in respect of the qualified property, for the taxation year, which is determined by the following formula:

$$A \times D/C$$

In this formula:

- A is the product obtained by multiplying, by 60%, the amount deducted by the taxpayer in computing income, for the taxation year, on account of the capital cost allowance for the class of property to which the qualified property belongs;

²⁰ Taking into account the harmonization of Québec's tax system with federal tax regulations announced in this information bulletin (see section 2.1).

- D is the amount of the acquisition cost of the qualified property that is in excess of the amount deducted by the taxpayer in computing income for the taxation year in which the property becomes available for use, on account of the capital cost allowance attributable to the property;
- C is the undepreciated capital cost, at the end of the taxation year, of property in the class that includes the qualified property (before any deduction in respect of the capital cost allowance for the year).

The amount corresponding to H will be equal to the total, on the one hand, of the amount corresponding to F in excess of that corresponding to E, calculated in respect of the qualified property for the taxation year in which the property becomes available for use, and, on the other hand, of the following applicable amount:

- 23.9% of the cost of acquisition of the property, multiplied, where the taxpayer's taxation year has fewer than 365 days, by the proportion that the number of days in the taxation year is of 365, where the qualified property is included in Class 50 of Schedule B to the *Regulation respecting the Taxation Act*,
- 22.5% of the cost of acquisition of the property, multiplied, where the taxpayer's taxation year has fewer than 365 days, by the proportion that the number of days in the taxation year is of 365, where the qualified property is included in Class 53 of Schedule B to the *Regulation respecting the Taxation Act*.

❑ Other details

More specifically, the other terms and conditions of the additional capital cost allowance of 60% will remain unchanged.

❑ Application date

These changes to the terms and conditions for calculating the additional capital cost allowance of 60% will apply to qualified property acquired after November 20, 2018, but not later than the day of publication of this information bulletin.

They will also apply to qualified property acquired after the day of publication of this information bulletin, but before July 1, 2019, if either of the following conditions is met:

- the qualified property is acquired in accordance with an obligation in writing entered into not later than the day of publication of this information bulletin;
- the construction of the property by or on behalf of the taxpayer began before the day of publication of this information bulletin.

2.2.2 Elimination of the additional capital cost allowance of 60%

As a consequence of the introduction, announced in this information bulletin, of the additional capital cost allowance of 30%,²¹ the additional capital cost allowance of 60% will be eliminated as of the day following the day of publication of this information bulletin.

²¹ See section 2.3.

Accordingly, only property that meets the conditions otherwise set forth for claiming the additional capital cost allowance of 60% and that is acquired not later than the day of publication of this information bulletin may give entitlement to the additional capital cost allowance of 60% for the remainder of the period applicable in respect of the qualified property.

However, the additional capital cost allowance of 60% may also apply in respect of such property acquired after the day of publication of this information bulletin, but before July 1, 2019, if either of the following conditions is met:

- the qualified property is acquired in accordance with an obligation in writing entered into not later than the day of publication of this information bulletin;
- the construction of the property by or on behalf of the taxpayer began before the day of publication of this information bulletin.

2.3 Introduction of an additional capital cost allowance of 30%

To encourage continued investment in manufacturing and processing equipment, clean energy generation equipment, general-purpose electronic data processing equipment and certain intellectual property, an additional capital cost allowance of 30% will be introduced. This additional capital cost allowance will be permanent.

The tax legislation will thereby be amended to allow a taxpayer who acquires contemplated property, after the day of publication of this information bulletin, to deduct in computing income from a business for a taxation year, an amount corresponding to 30% of the amount deducted in computing such income, for the previous taxation year, on account of the capital cost allowance for the contemplated property.²²

□ Contemplated property

For the purposes of the additional capital cost allowance of 30%, contemplated property will be, on the one hand, a particular property that is:

- machinery or equipment used in manufacturing or processing, namely, property included in Class 53 of Schedule B to the *Regulation respecting the Taxation Act*, other than property that had allowed or could have allowed the taxpayer to claim the additional capital cost allowance of 60%, or property acquired after 2025 that is property included in Class 43 of the schedule, but that would have been included in Class 53 had it been acquired in 2025;
- clean energy generation equipment, namely, property included in Class 43.1 of the schedule or property included in Class 43.2 of the schedule;
- property composed of general-purpose electronic data processing equipment and systems software for that equipment, namely, property included in Class 50 of the schedule, other than property that had allowed or could have allowed the taxpayer to claim the additional capital cost allowance of 60%.

²² The additional capital cost allowance of 30% will also apply, with the necessary adaptations, to such property acquired by partnerships.

The particular property must be new at the time of its acquisition by the taxpayer and not property acquired from a person or partnership with which the taxpayer does not deal at arm's length. It must begin to be used within a reasonable time after being acquired and, except in the case of loss or involuntary destruction by fire, theft or water, or a major breakdown, be used primarily in Québec in the course of carrying on a business for a period of at least 730 consecutive days after the property's use began (hereinafter, "730-days period") by the taxpayer or a person with whom the taxpayer does not deal at arm's length and in the circumstances in which a transfer, amalgamation or winding-up occurred.²³

More specifically, if, at any time in the 730-days period, an event occurs that prevents one of the conditions allowing a particular property to be a contemplated property from being met, the particular property will not be a contemplated property.²⁴

For the purposes of the additional capital cost allowance of 30%, contemplated property will be, on the other hand, a qualified intellectual property.

■ **Qualified intellectual property**

For the purposes of the additional capital cost allowance of 30%, qualified intellectual property will be a qualified intellectual property as this expression is defined in section 2.1 of this information bulletin.

□ **Separate class**

A separate class will be provided for properties of a same class for which a taxpayer may claim the additional capital cost allowance of 30%.²⁵

3. ADJUSTMENTS TO THE WORK PREMIUMS REDUCTION THRESHOLDS

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

²³ See note 13.

²⁴ Accordingly, the taxpayer will be required to file an amended return for all taxation years prior to the one in which occurred the event that prevents the particular property from being a contemplated property and for which the tax consequences arise from that fact. The Minister of Revenue may, at any time, redetermine the tax, interest and penalties payable for those taxation years, in accordance with the rules set out in sections 1000.2, 1000.3 and 1010.0.0.1 of the *Taxation Act*.

²⁵ In the cases where tax regulation already provides for a separate class for one or more properties of a same class, these rules will apply jointly.

Two work premiums are granted under this tax credit. The first one is for households whose capacity for employment is not severely limited (hereinafter, the “general work premium”), while the second one is for households whose capacity for employment is severely limited (hereinafter, the “adapted work premium”).²⁶

The work premiums 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 for the general work premium for a year is equal to the amount obtained by applying, to the amount by which the lesser of the household’s eligible work income²⁷ and the reduction threshold applicable to the household exceeds \$2 400 for an individual without an eligible spouse²⁸ or \$3 600 for an individual with an eligible spouse, the rate set in its regard. The maximum amount that may be granted for the adapted work premium for a year is equal to the amount obtained by applying, to the amount by which the lesser of the household’s eligible work income²⁹ and the reduction threshold applicable to the household exceeds \$1 200, 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.

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 Program³⁰ for the purpose of the general work premium, and as the cut-off threshold of the Social Solidarity Program for the purpose of the adapted work premium.³¹

The amounts of the work premiums reduction thresholds are published annually in the *Gazette officielle du Québec*.

²⁶ In general, the tax credit is for any individual, other than an excluded individual, 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.

²⁷ 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.

²⁸ In general, the eligible spouse of an individual for a particular year is the person who is the individual’s spouse at the end of the year and who, at that time, is not living separate and apart from the individual or, where the individual does not have a spouse at the end of the year, the last person who was the individual’s spouse during the year if that person died during the year and, at the time of death, was the individual’s spouse and was not living separate and apart from the individual.

²⁹ See note 27.

³⁰ 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.

³¹ 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.

Essentially, the tax regulations provide that, to determine the work premiums reduction thresholds, it is necessary to determine work income that was wages (“given work income”) which would allow an individual, after taking into account any federal income tax payable in respect of the given work income and the various employee contributions required, to have an amount equivalent to the one an individual whose only income were the maximum basic benefit under the Social Assistance Program or the Social Solidarity Program, as the case may be, were the benefit calculated on an annual basis, and who would fully benefit from the exemption of work income that does not affect the benefit under this program.³²

More specifically, according to the tax regulations, to determine the work premiums reduction thresholds applicable for a year,³³ the following must be taken into account:

- first, the contribution that would be payable on the given work income as employee contributions to the Québec Parental Insurance Plan (QPIP) and Québec Pension Plan (QPP), and under the *Employment Insurance Act*,³⁴
- second, the amount of the federal income tax that would be payable in respect of the given work income, as though that income tax were calculated taking into account only the following elements:
 - the basic tax credit,
 - the spousal credit, if applicable,
 - the Canada employment credit,
 - the tax credit for employee contributions to the QPIP, the QPP and the Employment Insurance plan.

As of 2019, the QPP as it currently stands will be enhanced according to parameters similar to those of the enhanced Canada Pension Plan (CPP), with the introduction of an additional plan. Among other things, under the additional plan, a first additional contribution will be required on the pensionable earnings of a worker,³⁵ up to the worker’s maximum contributory earnings.

Furthermore, as of 2019, the *Act respecting the Québec Pension Plan*³⁶ will refer to the current plan as the “base plan,” and the contributions an employee currently makes to the base plan will be called “base contributions.”

³² In the case of a household composed of two adults, the household work income is calculated as though only one of the adults had earned the income.

³³ Sections 1029.8.116.5.1R1 (general work premium) and 1029.8.116.5.1R2 (adapted work premium) of the *Regulation respecting the Taxation Act*.

³⁴ S.C. 1996, c. 23. The rate of contribution considered is the one that applies for an employee who reports for work at an establishment of his employer situated in Québec.

³⁵ “Worker” includes an individual engaged in self-employment, a family-type resource, an intermediate resource or an employee.

³⁶ CQLR, chapter R-9.

The federal tax system will allow, as of 2019, an individual to deduct, in the calculation of the individual's income, the amounts payable by the individual for the year as the first additional contribution to the QPP, or CPP, on the individual's income from an office, employment or self-employed earnings, as the case may be.³⁷

□ **Adjustments to the calculation of work premiums reduction thresholds**

The tax regulations will be amended, as of the 2019 taxation year, to take into account in the calculation of the reduction thresholds used to determine the general and adapted work premiums, the following elements:

- the amount that would be payable in respect of the given work income as employee first additional contribution to the QPP;³⁸
- the deduction regarding the amount of this employee first additional contribution to the QPP, which will be granted in the calculation of income, for the purpose of determining the federal income tax that would be payable in respect of the given work income.

³⁷ On November 21, 2017, the Minister of Finance announced similar tax treatment for additional contributions paid to the QPP and the CPP. Ministère des Finances du Québec, *Information Bulletin 2017-11*, November 21, 2017, pp. 18-21.

³⁸ For greater clarity, the amount that would be payable in respect of the given work income as employee contribution to QPP as it currently stands will continue to be taken into account.