

BUDGET 2012-2013

# QUEBECERS AND THEIR DISPOSABLE INCOME

## Greater Wealth for All

## Paper inside pages



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Budget 2012-2013

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Greater Wealth for All

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# INTRODUCTION

As part of Budget 2012-2013, the government is providing an update on how Quebecers' income has evolved since 2003.

This document thus deals with questions raised by citizens concerning the change in their income.

- It concludes that **Quebecers have become richer since 2003** and that **their personal income has clearly grown**, thanks to the economy's good performance.
- Moreover, allowing for the changes to the tax systems, taxes and childcare fees since 2003, **Quebecers have more money in their pockets in 2012.**



# 1. THE CHANGE IN INCOME SINCE 2003: QUEBECERS HAVE GROWN WEALTHIER

An analysis of the main economic indicators leads to an initial series of findings. Since 2003:

- **Québec's economy has improved substantially.** Unemployment has fallen and the standard of living, measured by real GDP per capita, has risen faster than in the United States and Ontario, and at a pace comparable with that of Canada as a whole. Disparities in standard of living compared to Ontario have narrowed;
- **Quebecers' personal income has grown appreciably,** in particular because of sustained gains in wage earners' remuneration. These gains have enabled Quebecers to access a broader and more varied palette of goods and services and thus improve their quality of life.

## Two ways to measure income

This document uses two different approaches to analyze the change in Quebecers' income.

- The first part of the document gives the change in **personal income** based on the economic accounts. Personal income corresponds to total income before personal income tax. The change in real personal income per capita reflects changes in economic activity and prices.
- The second part of the document deals with **disposable income**. This is the income left for each household category after allowing for the impact, for each category, of tax systems, social transfers, contributions, taxes and childcare fees. Disposable income disregards possible growth in income during the period examined.

## 1.1 Québec's economy has improved substantially

From 2003 to 2011, Québec's economy improved substantially. The standard of living, as measured by real GDP per capita, grew faster in Québec than in the United States and Ontario and kept pace with that of Canada.

### ❑ Real gross domestic product per capita

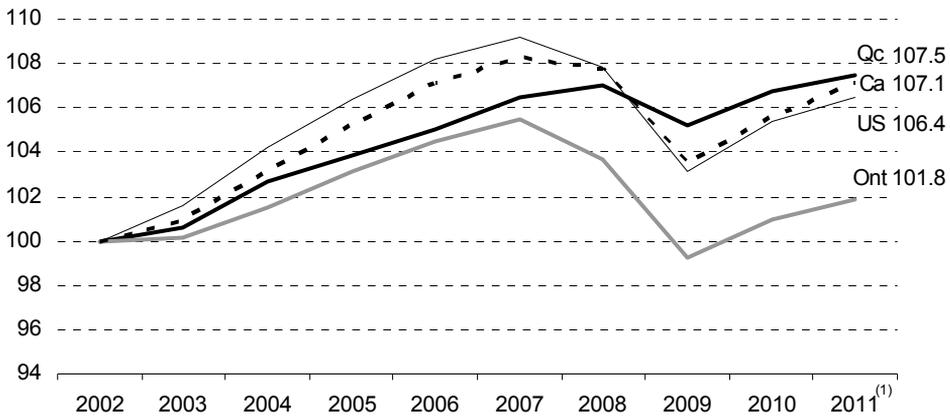
The change in real GDP per capita is the indicator most often used to measure a population's standard of living.

From 2003 to 2011, growth in real GDP per capita in Québec exceeded that of the United States and Ontario and kept pace with that of Canada.

— Annual growth in real per capita GDP averaged 0.8% in Québec, compared with 0.2% in Ontario, 0.8% in Canada as a whole and 0.7% in the United States.

CHART 1

### Real per capita gross domestic product (index, 2002 = 100)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada, Bureau of Economic Analysis and Ministère des Finances du Québec.

■ **Remarkable performance during the recession and the recovery**

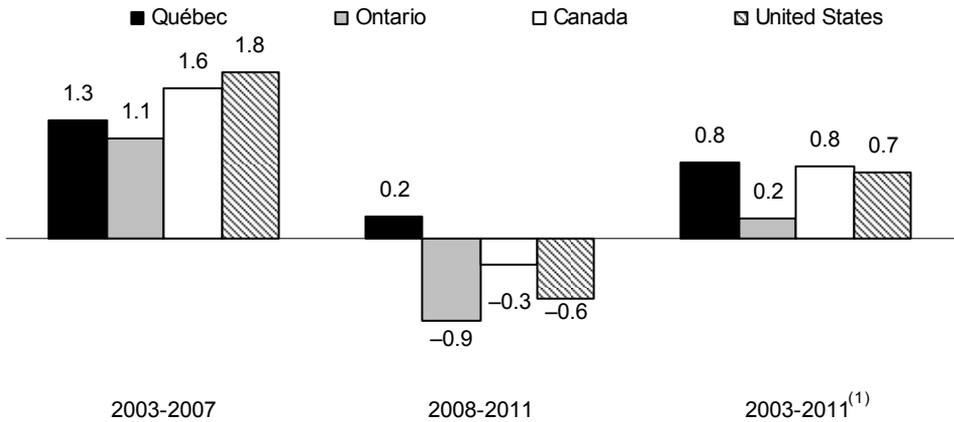
This performance was particularly remarkable during the last recession and the ensuing economic recovery.

- From 2008 to 2011, Québec’s real GDP per capita gained 0.2% annually.
- Québec thus stood apart from its main trading partners whose standard of living declined over the same period. From 2008 to 2011, real GDP per capita fell 0.9% in Ontario, 0.3% in Canada and 0.6% in the United States.

CHART 2

**Real gross domestic product per capita**

(average annual percentage change)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada, Bureau of Economic Analysis and Ministère des Finances du Québec.

## □ Narrowing the gap with Ontario

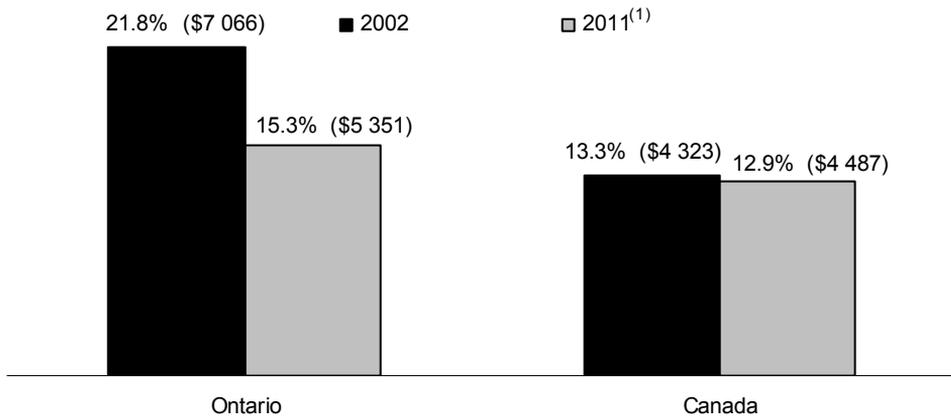
Thanks to its good economic performance, Québec has substantially narrowed the gap in standard of living with Ontario.

- Between 2002 and 2011, the gap in real GDP per capita between Québec and Ontario declined from 21.8% (\$7 066 compared to Québec) to 15.3% (\$5 351).
- During the same period, the gap with Canada as a whole narrowed only slightly in relative terms. It went from 13.3% (\$4 323) in 2002 to 12.9% (\$4 487) in 2011.

CHART 3

### Difference in real GDP per capita with Québec

(chained 2002 dollars and per cent)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada and Ministère des Finances du Québec.

TABLE 1

### Change in real per capita GDP – Québec-Ontario-Canada difference

	2002		2011 <sup>(1)</sup>	
	2002 dollars	Difference in per cent <sup>(2)</sup>	2002 dollars	Difference in per cent <sup>(2)</sup>
Québec	32 448	—	34 882	—
Ontario	39 514	21.8	40 233	15.3
Canada	36 771	13.3	39 370	12.9

(1) For Québec, the estimates are based on the economic forecasts of the Ministère des Finances du Québec. Conference Board of Canada forecasts were used for Ontario.

(2) Difference compared to Québec.

Sources: Statistics Canada, Conference Board of Canada, Bureau of Economic Analysis and Ministère des Finances du Québec.

## ❑ Wealth creation based on employment growth

The significant rise in Québec's standard of living is attributable chiefly to the vigour of the labour market.

— Almost 400 000 jobs were created in Québec from 2003 to 2011, i.e. an average of 43 200 jobs per year.

Accordingly, Québec narrowed the gap with its trading partners in terms of unemployment rate and employment rate.

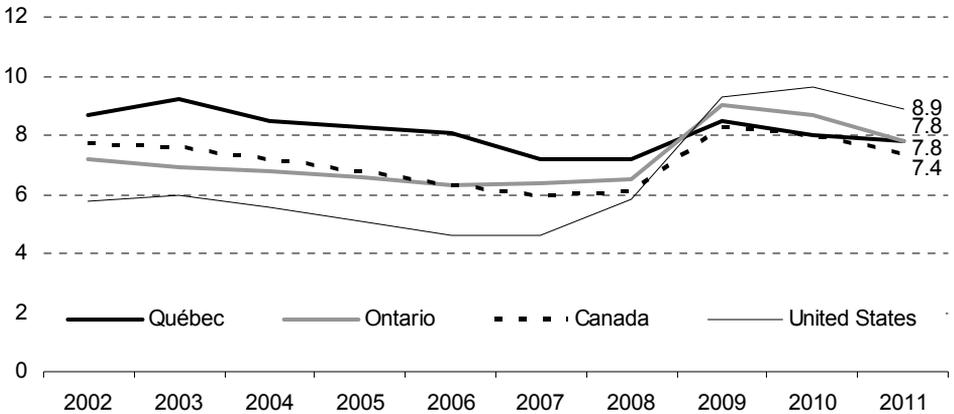
## ■ Unemployment rate

From 2003 to 2011, Québec's unemployment rate fell by 0.9 percentage point, from 8.7% in 2002 to 7.8% in 2011, compared with a decline of 0.3 percentage point in Canada as a whole.

Over the same period, the unemployment rate rose substantially in the United States and in Ontario; the 2008-2009 recession resulted in a notable deterioration in their labour markets.

CHART 4

### Change in the unemployment rate (per cent)



Sources: Statistics Canada and Bureau of Labor Statistics.

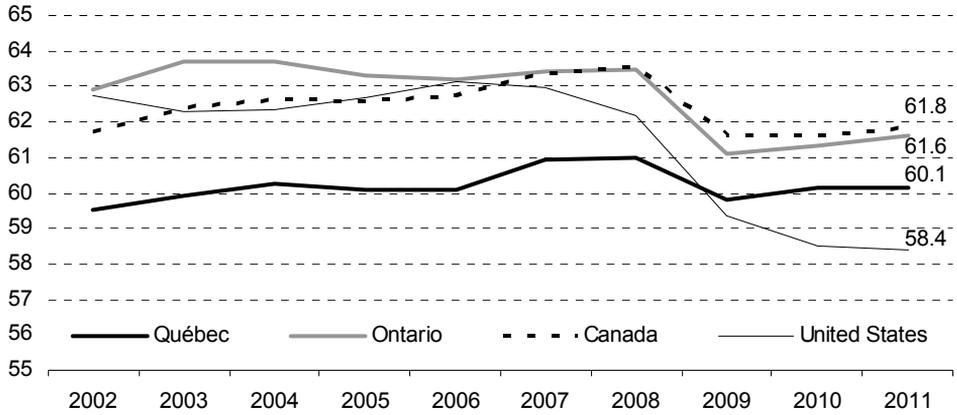
## ■ Employment rate

Québec's employment rate gained 0.6 percentage point from 2003 to 2011, rising from 59.5% to 60.1% in 2011.

This improvement enabled Québec to narrow the gap in employment rate with Ontario and Canada as a whole, and even overtake the United States.

CHART 5

### Change in the employment rate (per cent)



Sources: Statistics Canada and Bureau of Labor Statistics.

■ **Gains among individuals from age 15 to 49 and more especially among women**

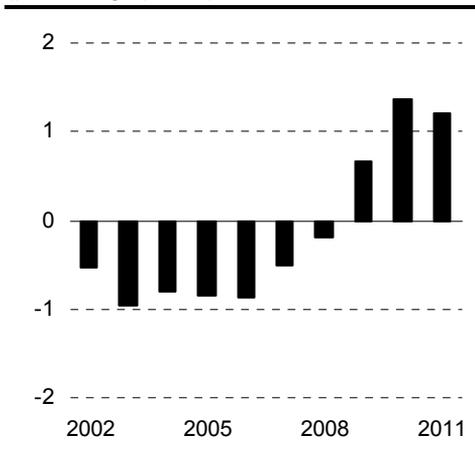
Québec’s labour market outperformance is attributable to the substantial gains among individuals from age 15 to 49 and more especially among women.

- In 2006, Quebecers’ employment rate for those from age 15 to 49 was 0.9 percentage point below that of Canadians.
- In 2011, Quebecers’ employment rate for those from age 15 to 49 was 1.2 percentage points higher than that of Canadians.
- This gain was especially spectacular among women. The difference in employment rate between Québec and Canadian women from age 15 to 49 went from 0.5 percentage point in favour of Canadian women in 2006 to 2.7 percentage points in favour of Québec women in 2011.

The substantial growth in the employment rate among women is to a considerable degree related to the policies the government has adopted to enable women with children to participate in the labour market, thanks to a universal daycare program and generous family policies. It is also attributable to gains in women’s level of schooling.

CHART 6

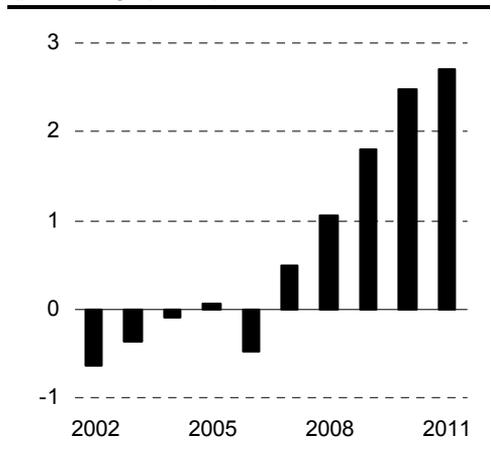
**Difference in employment rate between Québec and Canada – Population from age 15 to 49**  
(percentage points)



Sources: Statistics Canada and Ministère des Finances du Québec.

CHART 7

**Difference in employment rate between Québec and Canada – Women from age 15 to 49**  
(percentage points)



Sources: Statistics Canada and Ministère des Finances du Québec.

## ❑ Growth in investment by governments and businesses

Québec's good economic performance is attributable not only to the growth in employment, but also to the effect of investments – in particular those by governments, that have risen significantly in recent years.

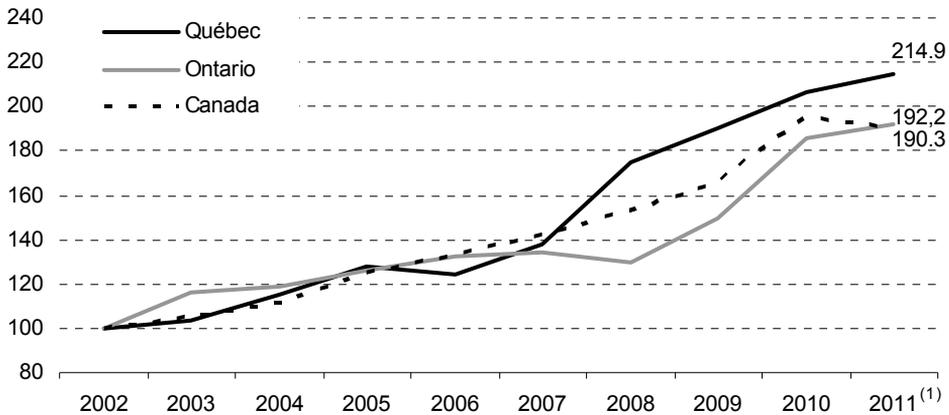
### ■ Strong growth in government investments

From 2003 to 2011, government investments grew faster in Québec than in Ontario and in Canada as a whole. This growth amounted to 115% in Québec, compared with 92% in Ontario and 90% in Canada as a whole.

- The Québec government was one of the first among developed countries to accelerate its investment plan at the outset of one of the deepest recessions of the post-war period.
- The Québec Infrastructures Plan, initiated in 2007, played its full cyclical role while the recession affected our economic partners. The government's massive investments contributed directly to supporting the economy.
- In addition to its effect on the business cycle, the Québec Infrastructures Plan will have long-term effects on Québec's economy. It will help raise productivity and enable future generations to enjoy quality infrastructures.

CHART 8

### Real government investments (index, 2002 = 100)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada and Ministère des Finances du Québec.

## ■ Business investments

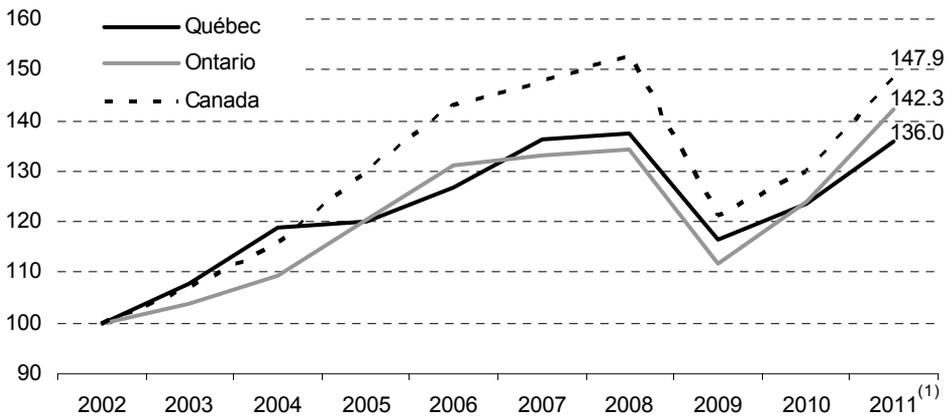
As far as business non-residential investments are concerned, growth in Québec was slightly below that in Ontario and Canada from 2003 to 2011.

- In Alberta and Newfoundland and Labrador, activity in the oil and gas sector produced a sharp rise in investments.
- The difference in growth between Québec and Canada nevertheless declined substantially after 2008.

CHART 9

### Real business non-residential investments

(index, 2002 = 100)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

■ **Private investment intentions: favourable outlook for Québec**

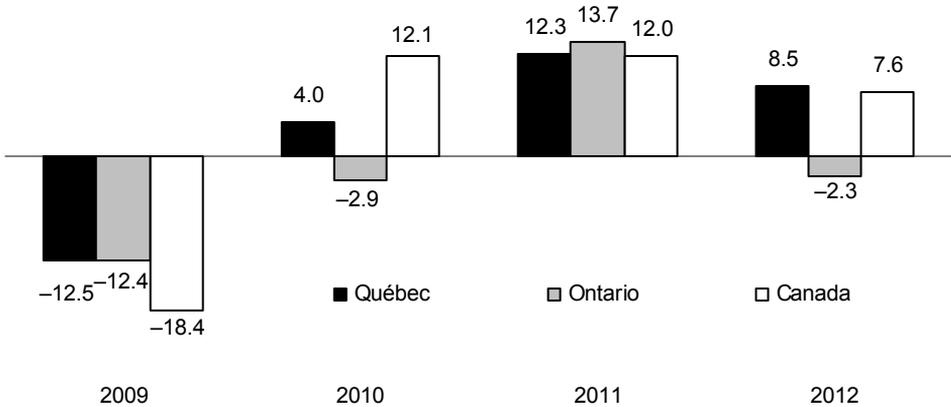
Nonetheless, the outlook for business investment remains very favourable for 2012 and 2013, in particular with major projects planned or underway in northern Québec.

According to the data of Statistics Canada’s February 2012 annual survey on public and private investment intentions, growth in private non-residential investment should reach 8.5% in Québec in 2012. This increase is greater than that in Canada (7.6%), while a decline of 2.3% is forecast for Ontario.

- The investment outlook in Québec is especially favourable in sectors such as mines, oil and gas (62%), transportation and warehousing (19.2%) and public services (18.9%).
- Mining investments are expected to reach \$4.4 billion in 2012, a record level in Québec.
- Manufacturing investments are expected to exceed \$5 billion for the second year in a row.

CHART 10

**Private non-residential investment intentions**  
(percentage change in nominal terms)



Sources: Statistics Canada, Survey on Private and Public Investment Intentions, February 2012.

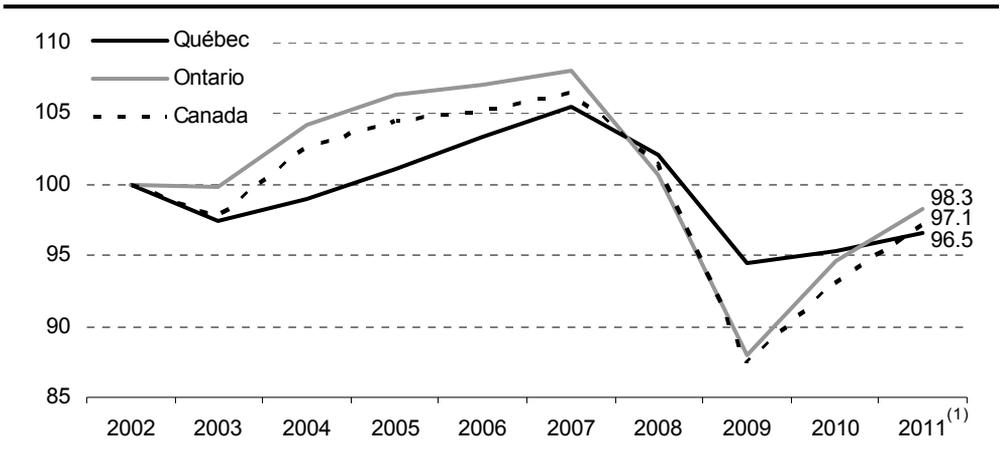
## ❑ Exports

Exports have not played as great a role as the labour market and government investments in Québec's economic growth since 2003.

- From 2003 to 2011, exports fell cumulatively by roughly 3% in Québec, Ontario and Canada.
- This is the result of a number of factors. During the same period, manufacturing businesses had to deal with the stronger Canadian dollar and greater competition from emerging countries.
  - Competition from China and the effects of the recession on many of our trading partners, particularly affected manufacturing businesses in Québec and Ontario.

CHART 11

### Real total exports (index, 2002 = 100)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada and Ministère des Finances du Québec.

## 1.2 Quebecers' personal income has risen appreciably

The Québec economy's good performance since 2003 has had an impact on Quebecers' personal income, which corresponds to total household income before taxes.

### □ Higher growth than in Ontario and the United States

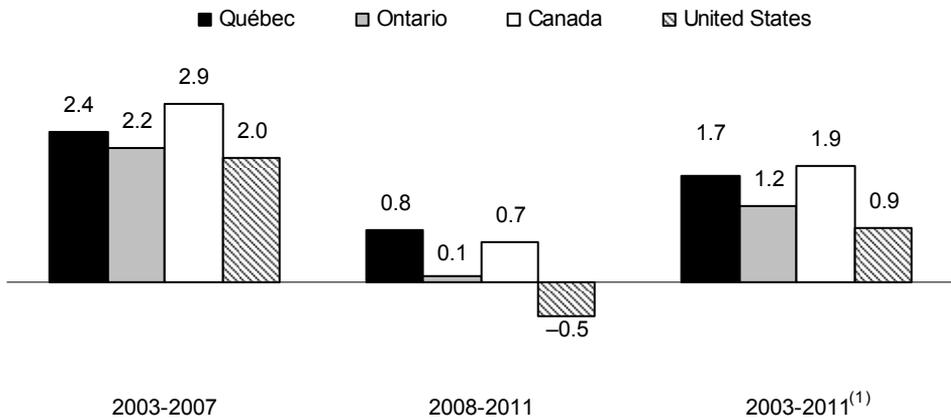
From 2003 to 2011, real personal income growth per capita was higher in Québec than in Ontario and the United States.

Indeed, the average annual increase in Quebecers' personal income reached 1.7% compared with 1.2% in Ontario and 0.9% in the United States. It was slightly lower than the 1.9% increase in Canada as a whole.

This is attributable chiefly to the growth in earned income, sustained by a strong labour market.

CHART 12

### Real personal income per capita (average annual percentage change)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada, Bureau of Economic Analysis and Ministère des Finances du Québec.

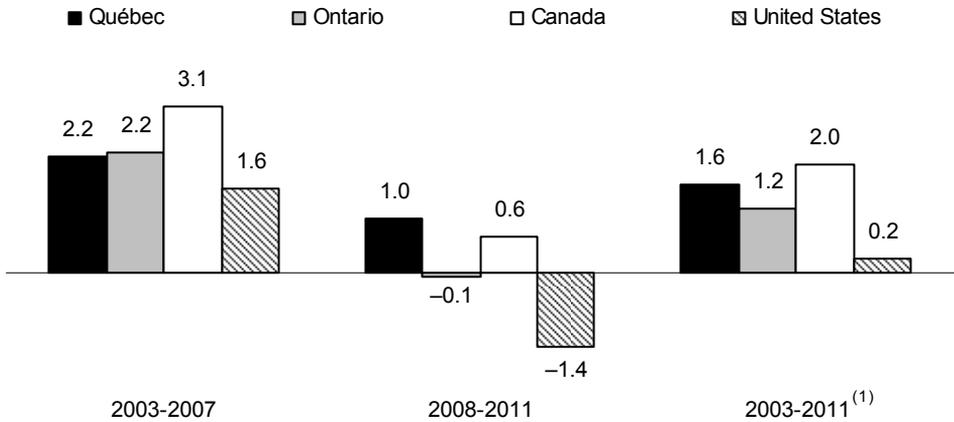
## ❑ Real remuneration of wage earners

Real remuneration of wage earners per capita, the most important component of personal income, gained 1.6% annually in Québec from 2003 to 2011.

This outstripped the growth in Ontario (1.2%) and the United States (0.2%).

CHART 13

### Real remuneration of wage earners per capita (average annual percentage change)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada, Bureau of Economic Analysis and Ministère des Finances du Québec.

## **Substantial increase in the minimum wage in Québec since 2003**

The regular increase in the minimum wage enables wage earners at the low end of the income scale to benefit from the increase in collective wealth.

### **The increase announced for May 1, 2012**

Last December, the government announced that the minimum wage would rise by \$0.25 per hour, bringing it to \$9.90 per hour as of May 1, 2012.

This increase will benefit some 255 000 workers, almost 155 000 of whom are women.

### **Minimum wage increases decided by the government since 2003**

Accordingly, since 2003, the Québec government has increased the minimum wage each year. It has risen by almost 36%, from \$7.30 to \$9.90 per hour.

By way of comparison, the consumer price index will have risen by about 18% over the same period.

The minimum wage has thus risen twice as fast as prices. This is indicative of the government's determination to improve the purchasing power of the lowest-paid workers and increase the incentive to work.

## ❑ A genuine “virtuous circle”

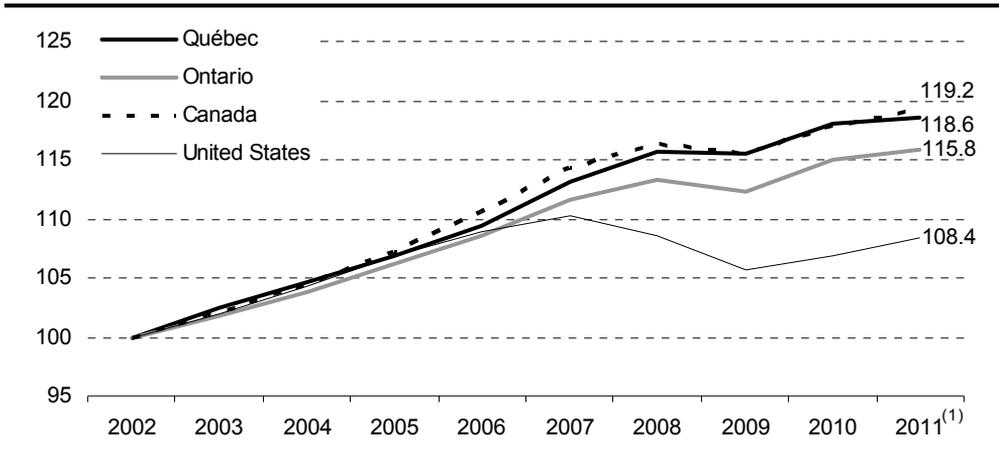
Economic growth in Québec has had an impact on Quebecers’ personal income and they have benefited directly from this increase in collective wealth.

The increase in personal income in turn has led to consumption growth, stimulating domestic demand and fostering economic growth. From 2003 to 2011, Québec has experienced a genuine “virtuous circle” with personal income, stimulated by growth, becoming in turn a driver of growth.

- From 2003 to 2011, in Québec, annual growth in per capita consumption averaged 1.9%.
- This outstripped the growth in Ontario (1.6%) and the United States (0.9%) and equalled that of Canada.

CHART 14

### Real consumption per capita (index, 2002 = 100)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada, Bureau of Economic Analysis and Ministère des Finances du Québec.

## ❑ Growth in real estate investments

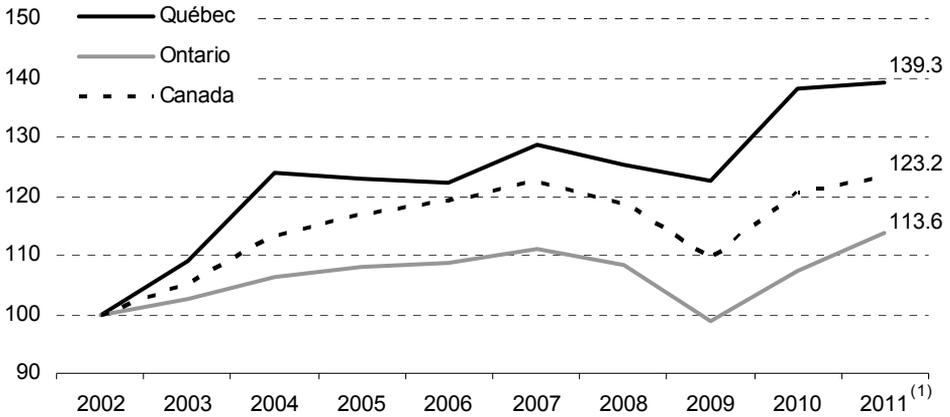
The growth in personal income Quebecers enjoyed during the period has fostered home ownership, as shown by the substantial increase in real residential investments.

Indeed, during the period 2003-2011, Québec experienced cumulative growth of 39% in residential investments, compared with growth of 23% in Canada and 14% in Ontario.

GRAPH 15

### Real residential investments

(index, 2002 = 100)



(1) For 2011, the estimates are based on the economic forecasts of the Ministère des Finances du Québec while Conference Board of Canada forecasts were used for Ontario.

Sources: Statistics Canada, Conference Board of Canada and Ministère des Finances du Québec.

## The “Better Life Index”: Québec above the OECD average

GDP and its components measure economic success. To broaden this perspective and measure the degree of a population’s “well-being”, the OECD has proposed a new indicator, the Better Life Index. Apart from the usual economic variables, this index also includes major qualitative factors such as level of schooling, health, work-life balance, long-term unemployment rate, employment rate among women with children, personal safety and quality of the environment.

A recent study seeks to apply the OECD’s methodology to Québec. The study was released by Luc Godbout and Marcelin Joanis, as part of the work *Le Québec économique 2011*, published by the Centre interuniversitaire de recherche en analyse des organisations (CIRANO). The two researchers calculated the Better Life Index for Québec and compared the results with the Better Life Index of various OECD countries.

The results are spectacular:

- based on the 20 indicators defined, Québec scores above the average of the 34 OECD countries 18 times out of 20.
- the researchers then carried out three types of ranking, varying the weighting. In all three cases, Québec ranks first or second.

## 1.3 Conclusion

Since 2003, thanks to the economy's good performance, the gain in Québec's standard of living has kept pace with that in Canada and outstripped that in the United States and in Ontario. This improvement is reflected in particular in an appreciable rise in Quebecers' personal income.

Even before the 2008-2009 crisis, growth in real personal income per capita was higher in Québec than in Ontario and the United States. Québec's performance is attributable chiefly to improvement on the labour market.

In addition, Québec emerged from the last recession in better shape than its economic partners.

The impact of the rise in personal income on consumption and domestic demand fostered a "virtuous circle" that directly benefited Quebecers.

## 2. THE RESULTS OF TAX CHANGES: MORE MONEY IN HOUSEHOLDS' POCKETS

Another way to estimate the change in Quebecers' income is to measure the concrete impact, at the household level, of decisions on taxes and fees.

### □ An increase in disposable income

This leads to a second conclusion: for a given income and family situation, and allowing for the changes to tax systems, taxes and childcare fees since 2003, Québec households have more money in their pockets in 2012.

- The government has made major decisions since 2003 to improve Quebecers' disposable income. Despite the measures it also had to take to restore fiscal balance, on the whole the disposable income of Quebecers has increased.
- Work by the Chaire de recherche en fiscalité et en finances publiques of the Université de Sherbrooke sheds additional light by comparing Quebecers' net tax cost to that of G7 countries. The authors of the work conclude that Quebecers' net tax cost is lower than the G7 average, that Québec families are subject to a more advantageous tax system and that Québec's tax system is more progressive.

## □ The analyses

The details of the analyses carried out are given below. They show the impact, at the household level, of the changes made to taxes.

- The **calculation** takes into account the changes made to tax systems, social transfers, contributions, taxes and childcare fees from 2003 to 2012.
- The **results** are shown as "typical cases" corresponding to various situations in society.

### The concept of net tax cost and the results obtained

In June 2011, the Chaire de recherche en fiscalité et en finances publiques of the Université de Sherbrooke released, for the third time, a comparison of Québec's net tax cost with that of the G7 countries for various income levels and family situations.

The work was done under the joint responsibility of Luc Godbout, Suzie St-Cerny and Michaël Robert-Angers.

#### The concept

The net tax cost method is based on an approach developed by the OECD. It consists, for a given income level, in calculating an indicator that reflects:

- tax payable (e.g.: federal and provincial);
- social contributions (e.g.: contribution to the Québec Pension Plan and employment insurance);
- transfers that taxpayers of a country receive (e.g.: Child Assistance, work premium and Canada Child Tax Benefit).

The net tax cost is expressed as a percentage of a country's average income for various typical cases and income levels.

It does not consider indirect taxes, which are not part of the personal tax system.

#### The main observations

- Quebecers bear a lower net tax cost than the G7 average.
- Québec families are subject to a more advantageous tax system than families elsewhere.
- Québec's tax system is more progressive, thus benefiting low-income taxpayers.

## The concept of net tax cost and the results obtained (continued)

### A net tax cost below that of the G7 average

According to the authors, even though Québec's income tax as a proportion of GDP was the highest among the G7 in 2009, it remains competitive by holding the net tax cost below the G7 average.

In all the cases shown, Québec's net tax cost in 2009 is below the G7 average. In fact, the net tax cost is the lowest of all G7 countries seven times out of fifteen, in particular for low and middle-income families.

### A tax system that benefits families

With respect to the net tax cost, the presence of children in a household leads to benefits up to twice as great in Québec as for the G7 average.

### Net tax cost according to household type - 2009

(percentage points)

	One adult (100% of the average wage)		Two adults (100% + 67% of the average wage)	
	G7 average	Québec	G7 average	Québec
No children	26.9	24.7	25.8	22.9
Two children	16.7	0.3	21.2	14.7
<b>Reduction in cost</b>	<b>-10.2</b>	<b>-24.4</b>	<b>-4.6</b>	<b>-8.2</b>
<b>Difference – Québec and G7 average</b>	<b>2.39 times more</b>		<b>1.78 times more</b>	

Note: The greater the reduction in the net tax cost between a childless household and a household with two children, the more advantageous the tax system for families.

## 2.1 The calculation

The calculation is as follows:

- for a given income and family situation, the changes since 2003 made to the Québec and federal tax systems, as well as increases in taxes and childcare fees, are applied;
- for an accurate picture, the measures that have been announced and that take effect in 2012 have been included.

### Many initiatives

The government has taken many initiatives concerning the tax system, taxes and fees.

A set of fiscal measures have increased the disposable income of Québec households.

- These measures were designed to help families, reduce poverty and support economic growth.
- Measures the Québec government has put in place include Child Assistance, the work premium, the deduction for workers, the \$950-million tax reduction in January 2008 and the solidarity tax credit.
- The federal government also implemented tax relief.

## Main budget measures since 2003

### **The tax reduction of January 1, 2008: \$950 million**

The tax reduction the government implemented January 1, 2008 had a major effect on the tax situation of individuals. It represents tax relief of \$950 million calculated over a full year.

### **The deduction for workers: \$588 million**

The deduction for workers was implemented in two stages.

- The deduction was set at \$500 in Budget 2005-2006.
- It was raised to \$1 000 in Budget 2006-2007. It has been indexed each year since then.

The measure represented tax relief estimated respectively at \$300 million and \$288 million for each of the two initiatives – i.e. \$588 million in all over a full year. This deduction corresponds to an amount equal to 6% of an individual's eligible earned income, up to \$1 075 in 2012.

### **Child Assistance: an increase of \$547 million bringing the current level of support to \$2.1 billion**

Since Budget 2004-2005, more generous financial assistance is available to Québec families. Child Assistance replaced and enhanced earlier similar measures.

Under Child Assistance, families receive just over \$2.1 billion per year. In 2005, when the measure was implemented, it represented an increase of \$547 million compared to the former allowances.

### **Work premium: \$304 million**

Implemented as part of Budget 2004-2005, the work premium has rewarded the work effort of low and middle-income workers, whether or not they have children, since 2005.

In 2005, the work premium provided workers with additional financial support of \$304 million per year.

### **Indexation of measures and tax tables: \$2.7 billion**

Since 2003, the government has indexed the measures put in place. This indexing is in addition to that of the tax tables. This means that the tax relief resulting from the measures that have just been described has increased because of indexing.

For a full year, the indexing applied since 2003 represents tax relief of \$2.7 billion.

## Main budget measures since 2003 (continued)

### Solidarity tax credit: an increase of \$510 million bringing the assistance granted to \$1.4 billion for 2.7 million households

The solidarity tax credit came into force in July 2011. It replaces three tax credits, namely:

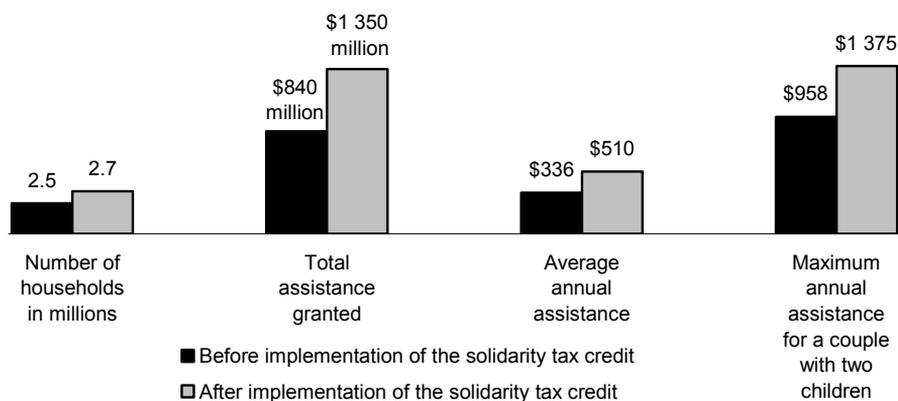
- the refundable tax credit for the Québec sales tax;
- the property tax refund;
- the tax credit for individuals living in a northern village.

In 2012, it will provide households with \$1 350 million in support, representing \$510 million more than the assistance provided by the three tax credits it replaces.

- The number of recipient households is 2.7 million.
- Average assistance is \$510.
- The maximum amount for a couple with two children is \$1 375.

Accordingly, a couple with two children will ultimately be fully compensated up to an income of roughly \$32 700.

### Number of households and cost of tax credits – Situation before and after implementation of the solidarity tax credit



## ❑ Initiatives of the plan to return to balance

Households were also hit by the worst financial crisis since 1930.

- As part of the effort to restore fiscal balance by 2013-2014 and thus reduce the burden of public indebtedness, households have had to bear some additional costs, reducing the increase in their disposable income accordingly.
- The objective was to ensure adequate funding of public services, reduce the debt load, improve intergenerational fairness and restore the health of public finances after the deficit stemming from the recession.
- Households thus had to absorb an increase in Québec and federal contributions – those for employment insurance, the Québec Parental Insurance Plan and the Québec Pension Plan – the rise in the QST and gasoline tax and the health contribution.

The calculation of disposable income takes these changes made to tax systems, taxes and childcare fees into account, regardless of how they have developed, for the period 2003-2012.

## **Measures of the plan to restore fiscal balance with an impact on household income**

Like its economic partners, Québec faced an economic recession in late 2008. The government then acted to quickly restore fiscal balance by next year (2013-2014).

To do so, it introduced new measures to eliminate the deficit.

### **Sales tax increase**

- Increase of one percentage point in the QST rate January 1, 2011.
- Second increase in the QST rate, also of one percentage point, effective since January 1, 2012.

### **Increase in the fuel tax**

- Increase in the fuel tax rate to offset the anticipated deficit of the Fund for Road and Public Transit Infrastructure (FORT):
  - rise of 1 cent per litre April 1 of each year for 2010 to 2013 inclusive.

### **Health contribution**

- Introduction, as of July 1, 2010, of a health contribution of:
  - \$25 per adult in 2010;
  - \$100 per adult in 2011;
  - \$200 per adult in 2012.

### **Solidarity Tax Credit**

To protect low-income households, the government set up the solidarity tax credit, thus fully offsetting the rises in taxes and the health contribution for the most disadvantaged.

This tax credit will help 2.7 million households deal with the impact of the plan to return to fiscal balance.

## 2.2 The results

Looking at the impact of these measures, Québec households have more money in their pockets now than in 2003 taking into account the tax increases announced in Budget 2010-2011.

TABLE 2

**Change in disposable income including impact of measures of the plan to return to fiscal balance on households – 2003-2012**  
(dollars)

	Total income			
	25 000	50 000	75 000	100 000
Couple with two children	10 999	5 406	6 255	4 275
Couple with one child	8 235	3 422	4 396	3 172
Childless couple	2 867	1 474	2 656	2 240
Single-parent family with two children	6 689	5 255	6 057	5 135
Single-parent family with one child	5 764	3 702	4 348	4 055
Single person	1 172	1 135	2 094	2 569

## ❑ A couple with two children and two earned incomes

During the period 2003-2012, the disposable income of a couple with two children and two earned incomes rose:

- by \$5 406 or 13.9%, if total income is \$50 000;
- by \$4 275 or 6.5%, if total income is \$100 000.

CHART 16

### A significant increase in disposable income for a couple with two children

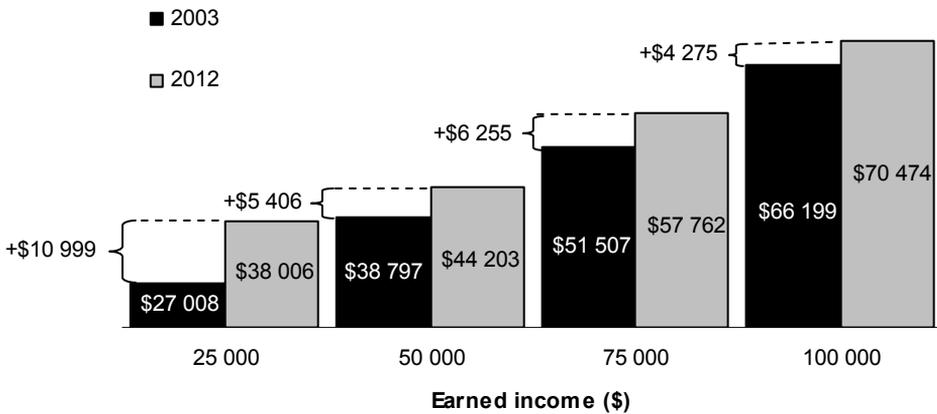


TABLE 3

**Change in disposable income including impact of measures of the plan to return to fiscal balance for a couple with two children<sup>(1)</sup> and two earned incomes – 2003-2012**

(dollars)

Total income	2003 disposable income	Disposable income net of tax increases for 2012							Change 2003-2012
		Tax relief since 2003 <sup>(2)</sup>	Solidarity tax credit	QST credit and PTR <sup>(3)</sup>	Tax increases <sup>(4)</sup>	Health contribution	After budget		
25 000	27 008	10 811	1 375	-722	-465	—	38 006	<b>10 999</b>	<b>40.7%</b>
30 000	28 954	11 369	1 375	-722	-493	—	40 483	<b>11 528</b>	<b>39.8%</b>
50 000	38 797	5 952	406	—	-551	-400	44 203	<b>5 406</b>	<b>13.9%</b>
75 000	51 507	7 348	—	—	-694	-400	57 762	<b>6 255</b>	<b>12.1%</b>
100 000	66 199	5 494	—	—	-819	-400	70 474	<b>4 275</b>	<b>6.5%</b>
125 000	80 942	5 299	—	—	-954	-400	84 887	<b>3 945</b>	<b>4.9%</b>
150 000	94 726	6 888	—	—	-1 089	-400	100 124	<b>5 398</b>	<b>5.7%</b>
175 000	108 299	8 031	—	—	-1 216	-400	114 714	<b>6 415</b>	<b>5.9%</b>

(1) Children age 3 and age 4, both attending a childcare centre.

(2) Taking into account Québec's tax system, before the measures of the plan to return to fiscal balance, the federal tax system, contributions (employment insurance, Québec Parental Insurance Plan, Québec Pension Plan, the Québec Prescription Drug Insurance Plan premium) and reduced-cost daycare fees (increase from \$5 to \$7).

(3) Refundable tax credit for the Québec sales tax and property tax refund.

(4) Increase of 2% in the QST and 3 ¢/litre in the gasoline tax.

## ❑ A couple with one child and two earned incomes

Still for the period 2003-2012, the disposable income of a couple with one child and two earned incomes rose:

- by \$3 422 or 8.9%, if total income is \$50 000;
- by \$3 172 or 4.8%, if total income is \$100 000.

CHART 17

### A significant increase in disposable income for a couple with one child

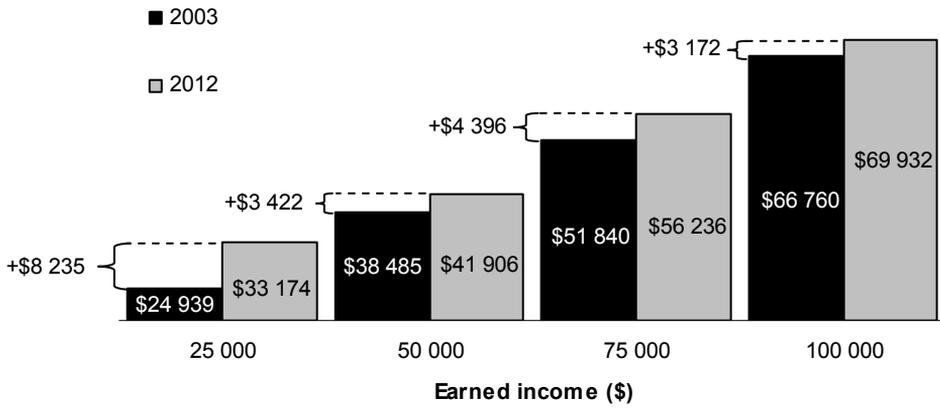


TABLE 4

**Change in disposable income including impact of measures of the plan to return to fiscal balance for a couple with one child<sup>(1)</sup> and two earned incomes - 2003-2012**

(dollars)

Total income	2003 disposable income	Disposable income net of tax increases for 2012						After budget	Change 2003-2012
		Tax relief since 2003 <sup>(2)</sup>	Solidarity tax credit	QST credit and PTR <sup>(3)</sup>	Tax increases <sup>(4)</sup>	Health contribution			
25 000	24 939	8 101	1 265	-722	-409	—	33 174	<b>8 235</b> <b>33.0%</b>	
30 000	27 725	8 140	1 265	-722	-439	-400	35 569	<b>7 844</b> <b>28.3%</b>	
50 000	38 485	4 052	296	—	-526	-400	41 906	<b>3 422</b> <b>8.9%</b>	
75 000	51 840	5 474	—	—	-678	-400	56 236	<b>4 396</b> <b>8.5%</b>	
100 000	66 760	4 385	—	—	-814	-400	69 932	<b>3 172</b> <b>4.8%</b>	
125 000	81 503	4 623	—	—	-952	-400	84 774	<b>3 271</b> <b>4.0%</b>	
150 000	95 244	6 256	—	—	-1 088	-400	100 012	<b>4 767</b> <b>5.0%</b>	
175 000	108 817	7 426	—	—	-1 215	-400	114 628	<b>5 811</b> <b>5.3%</b>	

(1) Child age 3 attending a childcare centre.

(2) Taking into account Québec's tax system, before the measures of the plan to return to fiscal balance, the federal tax system, contributions (employment insurance, Québec Parental Insurance Plan, Québec Pension Plan, the Québec Prescription Drug Insurance Plan premium) and reduced-cost daycare fees (increase from \$5 to \$7).

(3) Refundable tax credit for the Québec sales tax and property tax refund.

(4) Increase of 2% in the QST and 3 ¢/litre in the gasoline tax.

## ❑ Childless couple with two earned incomes

From 2003 to 2012, the disposable income of a childless couple with two earned incomes rose:

- by \$1 474 or 3.9%, if total income is \$50 000;
- by \$2 240 or 3.3%, if total income is \$100 000.

CHART 18

### A significant increase in disposable income for a childless couple

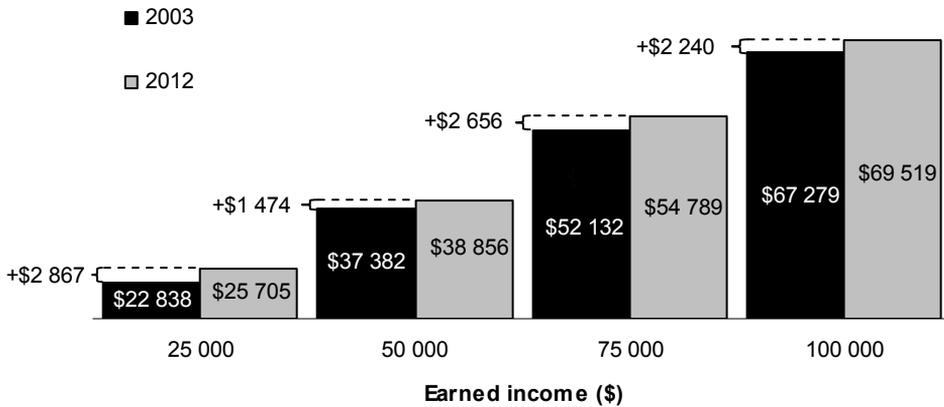


TABLE 5

**Change in disposable income including impact of measures of the plan to restore fiscal balance for a childless couple with two earned incomes – 2003-2012**

(dollars)

Total income	2003 disposable income	Disposable income net of tax increases for 2012							Change 2003-2012	
		Tax relief since 2003 <sup>(1)</sup>	Solidarity tax credit	QST credit and PTR <sup>(2)</sup>	Tax increases <sup>(3)</sup>	Health contribution	After budget			
25 000	22 838	2 746	1 155	-722	-313	—	25 705	<b>2 867</b>	<b>12.6%</b>	
30 000	25 477	3 051	1 155	-722	-345	-400	28 215	<b>2 738</b>	<b>10.7%</b>	
50 000	37 382	2 162	186	—	-473	-400	38 856	<b>1 474</b>	<b>3.9%</b>	
75 000	52 132	3 688	—	—	-632	-400	54 789	<b>2 656</b>	<b>5.1%</b>	
100 000	67 279	3 407	—	—	-767	-400	69 519	<b>2 240</b>	<b>3.3%</b>	
125 000	82 023	3 940	—	—	-898	-400	84 665	<b>2 642</b>	<b>3.2%</b>	
150 000	95 720	5 616	—	—	-1 025	-400	99 912	<b>4 192</b>	<b>4.4%</b>	
175 000	109 292	6 814	—	—	-1 144	-400	114 563	<b>5 271</b>	<b>4.8%</b>	

(1) Taking into account Québec's tax system, before the measures of the plan to return to fiscal balance, the federal tax system, contributions (employment insurance, Québec Parental Insurance Plan, Québec Pension Plan, the Québec Prescription Drug Insurance Plan premium).

(2) Refundable tax credit for the Québec sales tax and property tax refund.

(3) Increase of 2% in the QST and 3 ¢/litre in the gasoline tax.

## ❑ Single-parent family with two children

From 2003 to 2012, the disposable income of a single-parent family with two children rose:

- by \$5 255 or 14.6%, if total income is \$50 000;
- by \$6 057 or 12.6%, if total income is \$75 000.

CHART 19

### A significant increase in disposable income for a single-parent family with two children

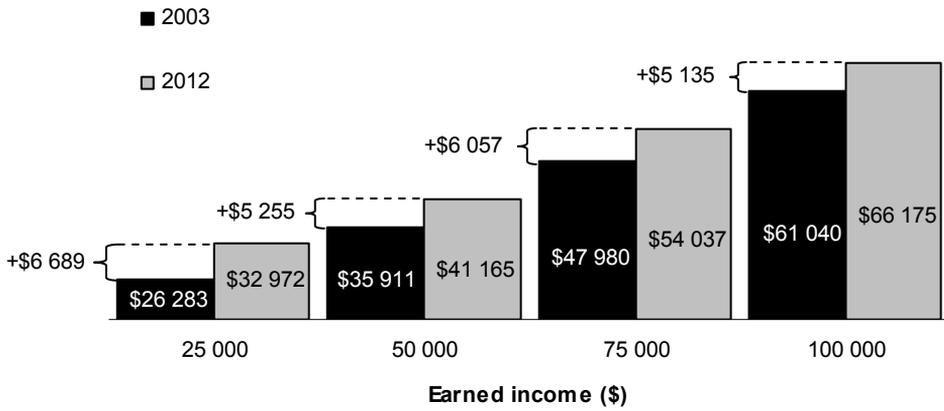


TABLE 6

**Change in disposable income including impact of measures of the plan for restoring fiscal balance for a single-parent family with two children<sup>(1)</sup> – 2003-2012**

(dollars)

Total income	2003 disposable income	Disposable income net of tax increases for 2012						After budget	Change 2003-2012
		Tax relief since 2003 <sup>(2)</sup>	Solidarity tax credit	QST credit and PTR <sup>(3)</sup>	Tax increases <sup>(4)</sup>	Health contribution			
25 000	26 283	6 606	1 128	-663	-382	—	32 972	<b>6 689 25.5%</b>	
30 000	28 192	7 843	1 128	-663	-414	-200	35 886	<b>7 694 27.3%</b>	
50 000	35 911	5 834	94	—	-474	-200	41 165	<b>5 255 14.6%</b>	
75 000	47 980	6 851	—	—	-593	-200	54 037	<b>6 057 12.6%</b>	
100 000	61 040	6 027	—	—	-692	-200	66 175	<b>5 135 8.4%</b>	
125 000	74 198	5 728	—	—	-782	-200	78 944	<b>4 746 6.4%</b>	
150 000	87 144	5 567	—	—	-859	-200	91 652	<b>4 507 5.2%</b>	
175 000	100 091	5 567	—	—	-928	-200	104 530	<b>4 439 4.4%</b>	

(1) Children age 3 and age 4, both attending a childcare centre.

(2) Taking into account Québec's tax system, before the measures of the plan to return to fiscal balance, the federal tax system, contributions (employment insurance, Québec Parental Insurance Plan, Québec Pension Plan, the Québec Prescription Drug Insurance Plan premium) and reduced-cost daycare fees (increase from \$5 to \$7).

(3) Refundable tax credit for the Québec sales tax and property tax refund.

(4) Increase of 2% in the QST and 3 ¢/litre in the gasoline tax.

## ☐ Single-parent family with one child

From 2003 to 2012, the disposable income of a single-parent family with one child rose:

- by \$3 702 or 10.4%, if total income is \$50 000;
- by \$4 348 or 8.9%, if total income is \$75 000.

CHART 20

### A significant increase in disposable income for a single-parent family with one child

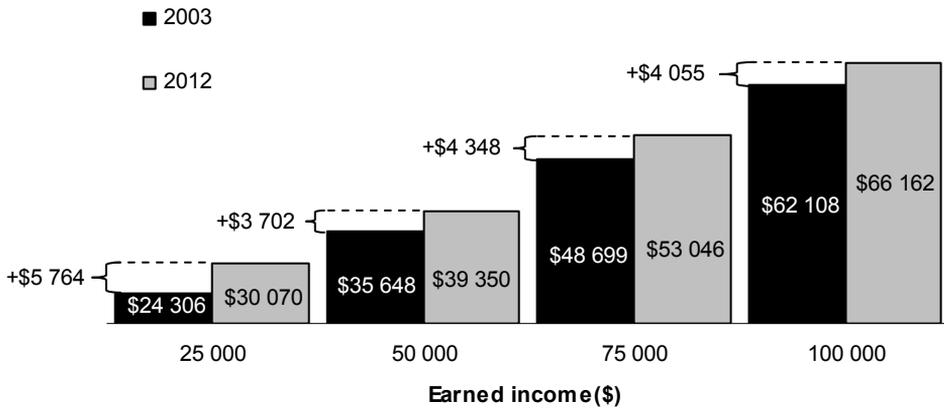


TABLE 7

**Change in disposable income including measures of measures of the plan to return to fiscal balance for a single-parent family with one child<sup>(1)</sup> – 2003-2012**

(dollars)

Total income	2003 disposable income	Disposable income net of tax increases for 2012						After budget	Change 2003-2012
		Tax relief since 2003 <sup>(2)</sup>	Solidarity tax credit	QST credit and PTR <sup>(3)</sup>	Tax increases <sup>(4)</sup>	Health contribution			
25 000	24 306	5 758	1 018	-663	-349	—	30 070	<b>5 764</b>	<b>23.7%</b>
30 000	26 285	6 109	1 018	-663	-376	-200	32 174	<b>5 888</b>	<b>22.4%</b>
50 000	35 648	4 358	—	—	-456	-200	39 350	<b>3 702</b>	<b>10.4%</b>
75 000	48 699	5 132	—	—	-585	-200	53 046	<b>4 348</b>	<b>8.9%</b>
100 000	62 108	4 946	—	—	-691	-200	66 162	<b>4 055</b>	<b>6.5%</b>
125 000	75 203	5 128	—	—	-784	-200	79 346	<b>4 144</b>	<b>5.5%</b>
150 000	88 149	5 359	—	—	-864	-200	92 444	<b>4 295</b>	<b>4.9%</b>
175 000	101 095	5 359	—	—	-931	-200	105 323	<b>4 228</b>	<b>4.2%</b>

(1) Child age 3 attending a childcare centre.

(2) Taking into account Québec's tax system, before the measures of the plan to return to fiscal balance, the federal tax system, contributions (employment insurance, Québec Parental Insurance Plan, Québec Pension Plan, the Québec Prescription Drug Insurance Plan premium) and reduced-cost daycare fees (increase from \$5 to \$7).

(3) Refundable tax credit for the Québec sales tax and property tax refund.

(4) Increase of 2% in the QST and 3 ¢/litre in the gasoline tax.

## ☐ Single person

From 2003 to 2012, the disposable income of a single person rose:

- by \$1 135 or 3.4%, if total income is \$50 000;
- by \$2 094 or 4.4%, if total income is \$75 000.

CHART 21

### **A significant increase in disposable income for a single person**

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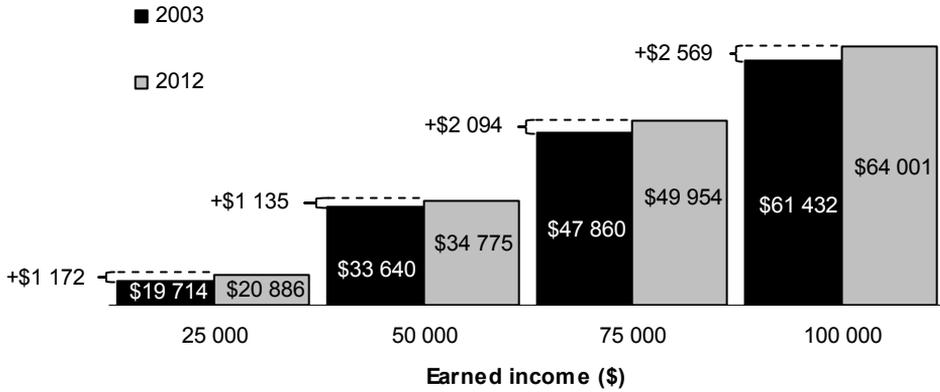


TABLE 8

**Change in disposable income including impact of measures of the plan to restore fiscal balance for a single person – 2003-2012**  
(dollars)

Total income	2003 disposable income	Disposable income net of tax increases for 2012							Change 2003-2012
		Tax relief since 2003 <sup>(1)</sup>	Solidarity tax credit	QST credit and PTR <sup>(2)</sup>	Tax increases <sup>(3)</sup>	Health contribution	After budget		
25 000	19 714	1 313	908	-628	-221	-200	20 886	<b>1 172</b>	<b>5.9%</b>
30 000	22 473	1 819	908	-628	-257	-200	24 115	<b>1 642</b>	<b>7.3%</b>
50 000	33 640	1 704	—	—	-368	-200	34 775	<b>1 135</b>	<b>3.4%</b>
75 000	47 860	2 808	—	—	-514	-200	49 954	<b>2 094</b>	<b>4.4%</b>
100 000	61 432	3 407	—	—	-638	-200	64 001	<b>2 569</b>	<b>4.2%</b>
125 000	74 495	3 917	—	—	-749	-200	77 463	<b>2 967</b>	<b>4.0%</b>
150 000	87 441	4 102	—	—	-852	-200	90 492	<b>3 050</b>	<b>3.5%</b>
175 000	100 388	4 102	—	—	-949	-200	103 341	<b>2 953</b>	<b>2.9%</b>

(1) Taking into account Québec's tax system, before the measures of the plan to return to fiscal balance, the federal tax system, contributions (employment insurance, Québec Parental Insurance Plan, Québec Pension Plan, the Québec Prescription Drug Insurance Plan premium).

(2) Refundable tax credit for the Québec sales tax and property tax refund.

(3) Increase of 2% in the QST and 3 ¢/litre in the gasoline tax.

## **Québec, more than ever, is North America's "family paradise": assistance of \$10.7 billion in 2011**

When all the decisions made regarding income tax, other taxes and fees are taken into consideration, it is clear that Quebecers have more money in their pockets now than in 2003.

The results show that families have done particularly well. That comes as no surprise: more than ever, Québec is the "family paradise".

### **Total financial assistance for families: \$10.7 billion in 2011**

- \$7 billion from the Québec government and \$3.7 billion from the federal government.
- Change in the financial assistance granted by the Québec government: +71% between 2003 and 2011, rising from \$4.1 billion to \$7 billion.

### **Review of measures supporting families**

- Financial support for parents
  - Child assistance: \$2 050 million
  - Work premium:<sup>1</sup> \$221 million
  - Other Québec measures: \$314 million
  - Measures put in place by the federal government: \$3 038 million
- Daycare
  - Reduced-contribution daycare services: \$2 163 million
  - Refundable tax credit for daycare expenses: \$344 million
  - Other Québec daycare assistance measures: \$602 million
  - Federal assistance for child care: \$661 million
- Parental leave (work-family balance)
  - The Québec Parental Insurance Plan: \$1 295 million

<sup>1</sup> Portion of the work premium attributable to families only.

## 2.3 Conclusion

Another way to estimate the change in Quebecers' income is to measure the concrete impact, at the household level, of decisions on taxes and fees.

- Overall, once the results of the measures introduced since 2003 are taken into account, Québec households have more money in their pockets in 2012 than nine years ago.
- This is attributable to the impact of the Québec government's major decisions, such the general tax reduction of \$950 million, improved support for families, the introduction of the deduction for workers and the work premium, as well as the implementation of the solidarity tax credit.

