



ACTION

\$400 Million for Consumers

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THE FIRST COMPONENT OF THE GOVERNMENT'S ACTION PLAN

The government is presenting the **2002-2003 Budget Speech** five months ahead of schedule, to take rapid action in the face of a situation that no one could have predicted.

The government thus announces the immediate implementation of an action plan. The first component of this plan is geared directly to individuals, with \$400 million being allocated to consumers to support economic activity by maintaining their confidence.

This significant transfer of funds has been designed to take effect swiftly. It includes specific measures for people with low incomes.

AN OVERVIEW OF THE NEW MEASURES

In the **2002-2003 Budget Speech**, the government is announcing the injection of \$400 million in favour of consumers by implementing the following three measures:

- The government will pay \$250 million to 2.5 million consumers who receive the refundable Québec sales tax (QST) credit.
- The government is proceeding with full indexation of the personal income tax system. The initial rate of indexation has been increased, which means an additional \$77 million for Québec's 3.1 million taxpayers.
- The government is indexing social assistance benefits, which represents a transfer of \$75 million for the benefit of people with low incomes.

A rapid injection of \$250 million to bolster consumption

To provide a rapid boost to consumer confidence, an amount of \$250 million will be paid as of December of this year.

This payment will consist of an increase of \$100 per adult – \$200 per couple – of the QST credit. The government has chosen this way of bolstering consumption because it can be implemented very rapidly.

Full indexation of the personal income tax system: increase in the rate of indexation from 1.8% to 2.7%

In keeping with the commitments made in the *2001-2002 Budget Speech*, the personal income tax system will be fully indexed beginning January 1, 2002.

Furthermore, the **2002-2003 Budget Speech** provides for an increase in the rate of indexation from 1.8% to 2.7%.

This increase will have an additional financial impact of \$77 million, in favour of taxpayers.

Indexation of social assistance benefits: \$75 million for people with low incomes

With the **2002-2003 Budget Speech**, the government is introducing two specific measures for people with low incomes, i.e.:

- the indexation of social assistance benefits for persons with a severely limited capacity for employment, which represents \$29 million for these recipients;
- the indexation of social assistance benefits for persons who are able to work, thereby increasing these benefits by \$46 million.

For these Quebecers, this is the second increase in just over six months.

As in the case of the personal income tax system, this indexation will take effect on January 1, 2002, at a rate of 2.7%.

An increase of \$402 million in disposable income

All told, if the additional payment to be made in December is taken into account, these measures will increase consumers' disposable income by \$402 million in 2002.

IMPACT OF SUPPORT MEASURES ON CONSUMPTION
(in millions of dollars)

	Increase in disposable income in 2002	Financial impact for the government		
		2001-2002	2002-2003	2003-2004
Injection to bolster consumption				
Non-recurring increase in QST credit ¹	250	-250	0	0
Full indexation of the personal income tax system				
Increase in the rate of indexation from 1.8% to 2.7% ²	77	-9	-50	-77
Specific measures for people with low incomes				
Indexation of social assistance benefits				
- for persons who have a severely limited capacity for employment	29	-7	-29	-29
- for persons who are able to work	46	-12	-46	-46
<i>Sub-total</i>	<i>75</i>	<i>-19</i>	<i>-75</i>	<i>-75</i>
Total	402	-278	-125	-152

1. Payment in December 2001.

2. The amount of \$77 million represents the impact calculated over a full year. Due to the calculation mechanisms used for personal income tax instalments and refundable tax credits, certain taxpayers will effectively receive the benefits of this indexation in 2003.

***Impact of the measures announced in March 2001:
\$1.2 billion in 2002***

Furthermore, the measures announced in the *2001-2002 Budget Speech* are not jeopardized and are producing their full effect. They will allow for an increase of \$1.2 billion in the disposable income of households in 2002.

- Indexation of the personal income tax system at the initial rate of 1.8% will augment the disposable income of households by \$155 million beginning January 1, 2002.
- The reduction applied since July 1, 2001 represents a \$1-billion increase in disposable income for the 2002 calendar year as a whole.
- The indexation of social assistance benefits applied on June 1, 2001 represents a transfer of \$36 million in favour of recipients for 2002.

Overall: an increase of \$1.6 billion in consumers' disposable income

All told, households will thus benefit from an additional \$1.6 billion in disposable income during 2002, thanks to the personal income tax reduction measures and specific support measures for people with low incomes implemented in March 2001 and in the **2002-2003 Budget Speech**.

**IMPACT OF SUPPORT MEASURES ON HOUSEHOLDS –
2001-2002 AND 2002-2003 BUDGET SPEECHES**
(in millions of dollars)

	Increase in disposable income in 2002
2002-2003 Budget	
Non-recurring increase in QST credit ¹	250
Increase in the rate of indexation from 1.8% to 2.7%	77
Indexation of social assistance benefits	
- for persons who have a severely limited capacity for employment	29
- for persons who are able to work	46
<i>Sub-total: 2002-2003 Budget</i>	<i>402</i>
2001-2002 Budget	
Personal income tax reduction	1 040
Indexation of the personal income tax system in 2002	155
Indexation of social assistance benefits	36
<i>Sub-total: 2001-2002 Budget</i>	<i>1 231</i>
Total	1 633

1. Amount paid in December 2001.

A DETAILED LOOK AT THE NEW MEASURES

An injection of \$250 million to support consumers

The **2002-2003 Budget Speech** provides for the payment of an additional \$100 per adult – \$200 per couple – to recipients of the refundable QST credit in 2001. This increase will be added in full to the next instalment of the QST credit, to be paid in December 2001.

This measure will directly benefit 2.5 million consumers, who will receive an additional \$250 million from the government in December of this year.

For example, a couple who is entitled to the maximum allowable amount of the QST credit will receive, in December 2001, a cheque for \$354, instead of \$154, i.e. \$200 more.

ILLUSTRATION OF THE IMPACT OF THE INCREASE IN THE QST CREDIT (in dollars)

	Annual QST credit ¹	Payment in December 2001		
		Before Budget	After Budget	Increase
Amount for an adult	154	77	177	100
Amount for a couple	308	154	354	200

1. The credit is paid in August and December of each year.

How the QST credit works (2001 taxation year)

The maximum allowable amount of the QST credit is \$154 per adult, plus an additional \$103 for an adult who lives alone. The total amount is reduced by 3% of the portion of family income that exceeds \$26 000.

The QST credit is thus accessible up to a family income of:

- \$36 266 for a couple;
- \$34 566 for an adult living alone;
- \$31 133 for an adult sharing a dwelling.

The QST credit is generally paid in two equal instalments, one in August and one in December. Where the amount of the credit does not exceed \$50 for a given taxation year, the payment is made in full in August.

Full indexation of the personal income tax system: increase in the rate of indexation from 1.8% to 2.7%

With the *2001-2002 Budget Speech*, the government announced the automatic indexation of the personal income tax system beginning in 2002. The **2002-2003 Budget Speech** maintains automatic indexation as of January of next year, and boosts the rate of indexation from 1.8% to 2.7%.

This indexation applies to the three taxable income brackets defined in the tax table, as well as to most of the tax credits. For example, beginning January 1, the upper threshold of the first taxable income bracket will increase from \$26 000 to \$26 700 for 2002, while the upper threshold of the second income bracket will rise from \$52 000 to \$53 405.

This increase will have a financial impact of \$77 million, in favour of all taxpayers.

MAIN TAX PARAMETERS SUBJECT TO INDEXATION IN 2002¹

(in dollars)

	Before indexation	After indexation
Tax table		
Upper threshold of the first income bracket	26 000	26 700
Upper threshold of the second income bracket	52 000	53 405
Essential amounts		
Basic amount	5 900	6 060
Amount respecting a spouse	5 900	6 060
Amount respecting dependent children		
- 1 st child	2 600	2 670
- each additional child	2 400	2 465
- amount for a single-parent family	1 300	1 335
Reduction threshold for certain tax credits²	26 000	26 700

1. See Appendix 2 for the parameters of the personal income tax system subject to indexation in 2002, and Appendix 3 for the progression in tax thresholds from 1999 to 2002.

2. Tax credit for persons living alone, with respect to age and for retirement income, tax reduction for families, QST credit, tax credit for residents of a northern village and real estate tax refund.

Indexation of social assistance benefits: \$75 million for people with low incomes

All social assistance benefits will be indexed in January 2002 at a rate of 2.7%. This indexation is thus extended both to persons who are able to work and persons who have a severely limited capacity for employment.

In concrete terms, for 2002, the indexation of social assistance benefits will result in additional income of:

- \$168 for a person living alone who is able to work;
- \$240 for a person living alone with a severely limited capacity for employment;
- \$252 for a couple of adults who are able to work;
- \$360 for a couple of adults with a severely limited capacity for employment.

This indexation represents a \$75-million increase in the disposable income of some 360 000 eligible households.

For recipients of social assistance benefits who are able to work, this is the second increase in just over six months.

**SOCIAL ASSISTANCE BENEFITS
ILLUSTRATION OF THE IMPACT OF THE 2.7% INDEXATION IN 2002
(in dollars)**

	Monthly benefit			Full-year benefit		
	2001 (December)	2002 (January)	Variation	2001 (December)	2002 (January)	Variation
Person living alone						
Able to work ¹	501	515	14	6 012	6 180	168
Severely limited employment capacity	734	754	20	8 808	9 048	240
Couple						
Able to work ¹	776	797	21	9 312	9 564	252
Severely limited employment capacity	1 097	1 127	30	13 164	13 524	360

1. Benefits for persons who do not have a severely limited capacity for employment.

Appendix 1: Impact of the measures on the disposable income of certain typical households

COUPLE WITH TWO CHILDREN AND TWO EMPLOYMENT INCOMES - 2002 (in dollars)

Employment income	Non-recurring increase in QST credit ¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
0	200	252	8	460
5 000	200	252	8	460
10 000	200	252	8	460
15 000	200	0	8	208
20 000	200	0	8	208
25 000	200	0	8	208
30 000	200	0	29	229
35 000	200	0	29	229
40 000	0	0	112	112
45 000	0	0	140	140
50 000	0	0	140	140

1. Paid in December 2001.

Note: For these households, it is assumed that one spouse earns 60% of the household employment income and the other, 40%.

COUPLE WITH TWO CHILDREN AND ONE EMPLOYMENT INCOME - 2002 (in dollars)

Employment income	Non-recurring increase in QST credit ¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
0	200	252	8	460
5 000	200	252	8	460
10 000	200	252	8	460
15 000	200	0	8	208
20 000	200	0	8	208
25 000	200	0	8	208
30 000	200	0	29	229
35 000	200	0	169	369
40 000	0	0	140	140
45 000	0	0	140	140
50 000	0	0	140	140

1. Paid in December 2001.

SINGLE-PARENT FAMILY WITH ONE CHILD - 2002
(in dollars)

Employment income	Non-recurring increase in QST credit¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
0	100	168	7	275
5 000	100	168	7	275
10 000	100	0	7	107
15 000	100	0	7	107
20 000	100	0	7	107
25 000	100	0	66	166
30 000	100	0	157	257
35 000	0	0	117	117
40 000	0	0	102	102
45 000	0	0	102	102
50 000	0	0	102	102

1. Paid in December 2001.

COUPLE WITH NO CHILDREN AND TWO EMPLOYMENT INCOMES - 2002
(in dollars)

Employment income	Non-recurring increase in QST credit¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
0	200	252	8	460
5 000	200	252	8	460
10 000	200	252	8	460
15 000	200	0	8	208
20 000	200	0	8	208
25 000	200	0	72	272
30 000	200	0	93	293
35 000	200	0	93	293
40 000	0	0	64	64
45 000	0	0	92	92
50 000	0	0	92	92

1. Paid in December 2001.

Note: For these households, it is assumed that one spouse earns 60% of the household employment income and the other, 40%.

COUPLE WITH NO CHILDREN AND ONE EMPLOYMENT INCOME - 2002
(in dollars)

Employment income	Non-recurring increase in QST credit¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
0	200	252	8	460
5 000	200	252	8	460
10 000	200	252	8	460
15 000	200	0	8	208
20 000	200	0	8	208
25 000	200	0	72	272
30 000	200	0	121	321
35 000	200	0	121	321
40 000	0	0	92	92
45 000	0	0	92	92
50 000	0	0	92	92

1. Paid in December 2001.

COUPLE AGED 65 OR OVER - 2002
(in dollars)

Total income	Non-recurring increase in QST credit¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
20 000	200	n.a.	8	208
25 000	200	n.a.	8	208
30 000	200	n.a.	114	314
35 000	200	n.a.	142	342
40 000	0	n.a.	113	113
45 000	0	n.a.	113	113
50 000	0	n.a.	113	113

1. Paid in December 2001.

Note: Total income includes old age security pension and guaranteed income supplement payments for both spouses, as well as private income from pensions or investments.

PERSON AGED 65 OR OVER WHO LIVES ALONE - 2002
(in dollars)

Total income	Non-recurring increase in QST credit¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
20 000	100	n.a.	45	145
25 000	100	n.a.	45	145
30 000	100	n.a.	115	215
35 000	0	n.a.	102	102
40 000	0	n.a.	87	87
45 000	0	n.a.	87	87
50 000	0	n.a.	87	87

1. Paid in December 2001.

Note: Total income includes old age security pension and guaranteed income supplement payments, as well as private income from pensions or investments.

PERSON UNDER 65 YEARS OF AGE WHO LIVES ALONE - 2002
(in dollars)

Employment income	Non-recurring increase in QST credit¹	Indexation of 2.7% of social assistance benefits	Indexation of 2.7% of the tax system	Increase in disposable income
0	100	168	7	275
5 000	100	168	7	275
10 000	100	0	7	107
15 000	100	0	45	145
20 000	100	0	45	145
25 000	100	0	45	145
30 000	100	0	115	215
35 000	0	0	75	75
40 000	0	0	60	60
45 000	0	0	60	60
50 000	0	0	60	60

1. Paid in December 2001.

Appendix 2: Parameters of the personal income tax system subject to indexation at a rate of 2.7% in 2002

TAX PARAMETERS SUBJECT TO INDEXATION IN 2002 (in dollars)

	Current	2002
Tax table		
Upper threshold of the first income bracket	26 000	26 700
Upper threshold of the second income bracket	52 000	53 405
Flat amount under the simplified tax system	2 625	2 780 ¹
Essential amounts		
Basic amount	5 900	6 060
Amount respecting a spouse	5 900	6 060
Amount for persons living alone	1 050	1 080
Amount respecting dependent children		
- 1 st child	2 600	2 670
- each additional child	2 400	2 465
- amount for a single-parent family	1 300	1 335
Amount respecting children engaged in post-secondary studies (per term)	1 650	1 695
Amount respecting other dependants	2 400	2 465
Amount respecting other dependants with an infirmity	5 900	6 060
Reduction threshold for certain tax credits²	26 000	26 700
Parameters for certain refundable tax credits³		
Refundable tax credit for medical expenses		
- maximum amount	500	515
- reduction threshold	17 500	17 970
QST credit		
- maximum amount per adult	154	158
- maximum amount for a person living alone	103	106
Real estate tax refund		
- maximum allowable taxes	1 285	1 320
- taxes deducted per adult	430	440
Tax credit for residents of a northern village		
- monthly amount per adult	35	36
- monthly amount respecting a dependant	15	15

1. The flat amount for 2002 will be equal to approximately \$2 780, or the highest of the following two amounts:
 - (1) \$2 695, which corresponds to the flat amount for 2001 indexed at a rate of 2.7%;
 - (2) the total of an employee's maximum QPP contributions and maximum employment insurance premiums for 2002, once this amount is known, plus \$250, for a flat amount estimated at \$2 780.
2. Tax credit for persons living alone, with respect to age and for retirement income, tax reduction for families, QST credit, tax credit for residents of a northern village and real estate tax refund.
3. The various family income brackets used for the purpose of calculating the refundable tax credit for child-care expenses will also be indexed.

Appendix 3: Progression of tax thresholds

	1999	2000	2001	2002
Couple with one child				
- one employment income	28 413	29 034	30 772	32 343
- two employment incomes ¹	28 806	29 477	31 786	33 532
Couple with two children				
- one employment income	30 316	30 954	32 826	34 487
- two employment incomes ¹	30 930	31 677	34 276	36 126
Single-parent family with one child	21 247	21 764	23 476	24 875
Couple under 65 years of age with no children				
- one employment income	19 159	19 487	20 811	22 100
- two employment incomes ¹	19 159	19 487	20 811	22 100
Couple aged 65 or older²	25 369	25 740	27 185	28 511
Single person under 65 years of age				
- living alone	10 787	10 959	11 687	12 400
- sharing a dwelling	9 579	9 743	10 405	11 050
Single person aged 65 or older²				
- living alone	14 467	14 664	15 593	16 400
- sharing a dwelling	13 259	13 448	14 311	15 050

1. For these households, it is assumed that one spouse earns 60% of the household employment income and the other, 40%.

2. Total income includes old age security pension and guaranteed income supplement payments, as well as private income from pensions or investments.

2002 › 2003 BUDGET

Now, because **now** is the time for action.

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// We must take action today to
ensure the economic and social
security of Quebecers. //

Pauline Marois
Deputy Prime Minister
and Minister of State for the
Economy and Finance