

**2007-2008 Budget
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2007-2008 Budget Speech

Giving Québec the means to fulfil its ambitions

"We have focused, in a disciplined manner, on the priorities we announced at the outset of our mandate. For each of them, we have taken the means to obtain durable results, refocusing the government on its essential missions and considerably improving the services provided to Quebecers. This progress must continue".

- Michel Audet

Québec, February 20, 2007 – Today, Finance Minister Michel Audet delivered the 2007-2008 Budget Speech to the National Assembly.

"The government's achievements have given us better health care, a better education system, infrastructures in better condition, a lighter tax burden, a more prosperous economy, a better quality of life for families and a positive environmental record. Our government has also taken determined action to facilitate wealth creation and increase prosperity throughout Québec. Success has already been achieved and this budget will lead to further progress in realizing Québec's full potential", declared the Finance Minister.

Disciplined, responsible management of public finances

With this Budget, the government is pursuing sound management of public finances, marked by the maintenance of a balanced budget. The debt burden is being reduced more rapidly thanks to an exceptional contribution of \$500 million to the Generations Fund stemming from Hydro-Québec's sale of its interest in a business in Chile.

"During our mandate, our management has been disciplined and respectful of Quebecers' priorities. Average annual spending growth was maintained at 4.1%, compared with 6.3% in the provinces as a whole", indicated the Finance Minister.

For the fiscal year ending on March 31 and for 2007-2008, Mr. Audet announced that a zero deficit will be achieved again.

The priorities of Quebecers

"Since 2003, over 80% of growth in spending has gone to health and education. We have substantially reduced personal income tax and business investment costs. We have invested \$16.1 billion to upgrade infrastructure, an investment that has strongly contributed to supporting economic growth", declared Mr. Audet.

In **health**, investments have increased by \$4.4 billion since 2003 and, for the coming year, an additional \$1.3 billion, an increase of 6%, will be allocated to this sector.

The government has reinvested close to \$1.7 billion in **education** since 2003. Spending growth in this area is five times higher than under the previous government. In 2007-2008, the education budget will increase by 4.4%, or \$567 million.

Reduction of the tax burden and support for economic growth

The Finance Minister indicated that personal and corporate income taxes have been lowered continuously over the past four years. "We have given \$3.8 billion in tax cuts back to Quebecers and have relieved the tax burden of businesses by over \$825 million", he said.

With the 2007-2008 Budget, the Minister of Finance announced an additional personal income tax reduction of \$464 million. Since 2003, the gap in the tax burden with the other provinces has thus been reduced from \$2.2 billion to \$770 million—a reduction of about 65%.

"With these cuts, we will no longer be the most heavily taxed in North America. While in 2003, we had one of the highest tax burdens of the provinces, in 2008, we will have the sixth lowest. That is remarkable progress", indicated Mr. Audet.

Families and the elderly

"From the outset of our mandate, we have worked to make Québec a place for people of all ages, by giving special attention to the elderly, families and young people. With this new budget, we are continuing to take action in this regard", indicated Mr. Audet.

Indeed, the 2007-2008 Budget Speech is announcing a number of initiatives, including:

- an increase in the income eligible for the tax credit for retirement income from \$1 000 to \$1 500;
- a refundable tax credit of up to \$500 for volunteers who provide respite services to informal caregivers;
- improvement of the refundable tax credit for child care expenses;
- enhancement of the tax treatment for parents who have children engaged in vocational training or post-secondary studies.

Businesses

For businesses, the Finance Minister announced, notably, that the capital tax credit on new investments in manufacturing and processing equipment will be doubled, from 5% to 10%, as of midnight tonight and will be extended until 2012. "With this measure, the cost of investing in Québec's manufacturing sector has never been lower", affirmed the Finance Minister.

Dynamic regions and large cities

"The prosperity of all regions of Québec is at the heart of our government's concerns", indicated Mr. Audet, who presented the main components of the *Strategy for the Development of Every Region*, which will be allocated \$825 million over five years.

Targeted support for Montréal and Québec City

Since Montréal and Québec City play a major role in the vitality of Québec, these two large cities have received substantial support from the government since 2003. "This support will continue", declared the Finance Minister.

Montréal will receive \$140 million over five years under the *Strategy for the Development of Every Region* to accelerate the deployment of its own economic development strategy. Montréal will also benefit from the other initiatives included in the strategy, such as the *Fonds de développement régional* (FDR). The government is thus addressing the requests voiced by the municipal authorities.

In addition, thanks to a new fiscal and financial agreement with the municipalities, Montréal will receive close to \$900 million to offer better public services.

Québec City has already been awarded almost \$300 million from now until 2013 under the fiscal and financial agreement with the municipalities. As well, the government is allocating \$110 million to Québec City to celebrate its 400th anniversary in 2008.

The national capital will also receive \$25 million under the *Strategy for the Development of Every Region* to support its economic development. In addition, Québec City will benefit from several of the other measures that are part of the strategy.

Lastly, Québec City already receives full compensation in lieu of property taxes regarding the Grand Théâtre and state museums.

The need to arrive at a durable solution regarding the fiscal imbalance

The Minister of Finance said that the position defended by the Québec government is based on the need for, first of all, a complete reform of the equalization program; second, restoration of the federal government's contribution to education; and third, a limitation of Ottawa's spending power.

"We are about to take an important step concerning the fiscal imbalance. The federal government indicated that it would soon make a decision in this regard. We strongly encourage it to follow up on its commitments to Québec", continued Mr. Audet.

"With this disciplined Budget, the government is clearly positioning itself to defend the interests of Québec. It is taking action to increase the prosperity of Montréal and Québec City and of all the regions. It is continuing to implement measures to enhance the quality of life of Quebecers. The government is thus giving Québec the means to fulfil its ambitions", concluded Mr. Audet.

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Source: Pierre Choquette
Press Officer
Office of the Minister of Finance
(418) 643-5270