

2007-2008 Budget
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2007-2008 Budget Speech

Tax measures for individuals and businesses to take effect as of midnight tonight

Québec, February 20, 2007 – As part of the 2007-2008 Budget Speech, Finance Minister Michel Audet announced a number of tax measures for individuals and businesses that take effect as of midnight tonight.

Reduce personal income tax and support informal caregivers, the elderly and families

Because health is a priority, and to recognize the volunteer work of many citizens on behalf of people with a disability, the 2007-2008 Budget Speech announces, as of the 2007 taxation year, **a new refundable tax credit for people providing volunteer respite services to informal caregivers.**

The 2007-2008 Budget Speech also provides for **an increase from \$1 000 to \$1 500 in the tax credit for retirement income.** This increase represents a tax cut of \$37 million for 356 000 people.

Because education and families are also among the government's priorities, the 2007-2008 Budget Speech announces three new initiatives. First, to encourage Québec families to save more for their children's post-secondary education, the 2007-2008 Budget Speech announces that contributions to a registered education savings plan (RESP) now give entitlement to **a refundable tax credit for education savings** paid by the Québec government.

Also, to relieve the tax burden of parents who financially support a child engaged in post-secondary studies, the 2007-2008 Budget Speech provides for **the enhancement and simplification of the tax assistance for parents with children engaged in vocational training or post-secondary studies.**

Lastly, the Finance Minister also announced **the enhancement of the refundable tax credit for child care expenses.** The tax credit will now be granted without taking earned income into account. This change will enable more families to claim the tax credit and other families to obtain more assistance.

In addition to these measures, and in order to pursue the government's commitment to reducing the tax burden of Quebecers to the Canadian average, **the taxable income thresholds to which the rates of the personal income tax table apply will be raised by 7%** on January 1, 2008. This increase represents a tax cut of \$250 million for 2.4 million taxpayers in 2008.

Thus, with the measures in the 2007-2008 Budget, the Finance Minister is announcing an additional personal income tax reduction of \$464 million.

Stimulate investment

To stimulate business investment, the 2007-2008 Budget Speech announces three measures that also apply as of midnight tonight.

First, **an increase from 5% to 10% in the rate of the capital tax credit and its extension to December 31, 2012**. Introduced two years ago, the non-refundable capital tax credit for new investments in manufacturing and processing equipment enables investing businesses to reduce their capital tax burden. Almost all of Québec's 20 000 businesses in the manufacturing sector, as well as new manufacturing companies that set up shop in Québec, will no longer pay the tax on capital.

Second, **the extension to December 31, 2012 of the 15% capital tax credit for primary wood processing activities**. This measure is an important incentive to renew manufacturing equipment and, consequently, to improve the productivity of forest mills in Québec.

Third, **an increase from \$400 000 to \$5 million in the specific deduction applicable to farming or fishing corporations in the calculation of the tax on capital**. This measure means that almost all of the 7 000 farming and fishing corporations will no longer pay the tax.

Other measures

Lastly, the Finance Minister announced **the broadening of productions eligible for the refundable tax credit for Québec film and television production**.

He also announced **an increase from \$1 000 to \$2 000 in the tax refund for the purchase of a hybrid vehicle**.

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