

The **2007-2008** Budget at a Glance



The *2007-2008 Budget* shows that we have many achievements to our credit. With the measures announced in this Budget, we are building on the results we have already obtained and we are doing more.

We are listening to the people of Québec, in both the regions and large cities. Everywhere there is a desire for local populations to have more tools in order to take charge of the development and future of their community. We are giving them that.

The government continues to play a crucial role in enhancing the quality of life of Quebecers and of the environment in which they live.

We have also stayed the course with regard to 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.

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. This progress must continue.

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.

With the 2007-2008 Budget:

- the government is defending the interests of Québec in regard to the fiscal imbalance;
- the government is taking action to increase the prosperity of Montréal and Québec City and of all the regions;
- the government is continuing to implement measures to enhance the quality of life of Quebecers;
- the government is giving Québec the means to fulfil its ambitions.

Michel Audet,
Minister of Finance

DISCIPLINED, RESPONSIBLE MANAGEMENT OF PUBLIC FINANCES

Another balanced budget

QUEBECERS' PRIORITIES

- \$1.3 billion more for HEALTH
- \$567 million more for EDUCATION

TAX REDUCTION

\$464 million more in the pockets of Québec taxpayers

MORE DYNAMIC BUSINESSES

No more tax on capital for manufacturing businesses that invest

FOR QUEBECERS' QUALITY OF LIFE

- Action Strategy for the Elderly
- Enhancement of the tax credit for retirement income
- Support for volunteers who help informal caregivers
- Support for phased retirement
- Registered education savings plans: introduction of a tax credit

PROMOTING THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

- \$31 billion for green energy choices
- \$1.2 billion for fighting climate change
- \$333 million for restoring contaminated sites

THE REGIONS

- \$825 million for the Strategy for the Development of Every Region
- \$165 million for Montréal and Québec City
- Specific support for certain sectors

FOR A DURABLE SOLUTION TO THE FISCAL IMBALANCE

Disciplined Management

SUPPORT FOR THE VITALITY OF BUSINESSES

The government has greatly contributed to enhancing the competitiveness of the corporate tax system.

Since 2003, corporate taxes have been reduced by \$825 million.

- We have lowered the tax rate for SMEs to 8%.
- We have announced a gradual decrease in the tax on capital.
- 75% of businesses have been exempted from the tax on capital.
- We have introduced a capital tax credit for manufacturing businesses that invest in manufacturing and processing equipment in order to upgrade their facilities.

The 2007-2008 Budget raises the capital tax credit from 5% to 10% for investments in manufacturing and processing equipment. This credit is also extended until 2012.

**MANUFACTURING
BUSINESSES
THAT INVEST WILL
NO LONGER
HAVE TO PAY
THE TAX
ON CAPITAL**

STRUCTURING ACTION

- Creation of the Generations Fund to reduce the government debt
- Modernization of governance in government corporations
- Transparency: monthly financial report
- Tight control over spending

RESULTS THAT SPEAK FOR THEMSELVES

- A balanced budget maintained in 2006-2007 and 2007-2008
- An increase in Québec's credit rating

Sound management of government finances is an essential contribution to Québec's prosperity.

Tax Reduction

As of January 1, 2008, the income thresholds of the tax table will be raised, resulting in a tax reduction of \$250 million for 2.4 million taxpayers.

Since 2003, the government will have given \$3.8 billion in tax cuts back to Quebecers.

All Quebecers who pay income tax—3.4 million people—have benefited directly from these tax cuts.

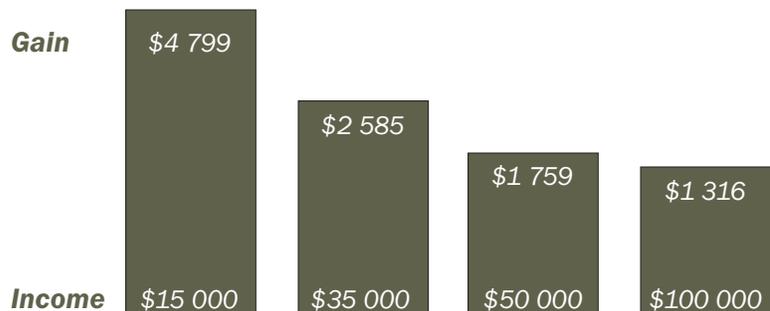
- Introduction of the Child Assistance measure
- \$1 000 deduction for workers
- Introduction of the work premium
- Annual indexation of the tax system

With these tax cuts, Québec taxpayers will no longer be the most heavily taxed in North America. In 2008, Québec will have the sixth-lowest tax burden of the Canadian provinces.

Our goal is still to reduce the tax burden to the Canadian average.

\$464 MILLION MORE FOR QUEBECERS

The series of measures announced in the 2007-2008 Budget, together with retirement income splitting, will put an additional \$464 million back into Québec taxpayers' pockets. This does not take into account the indexation for 2008, evaluated at \$355 million.



Gain, in 2008, for a couple with one earned income and two children from the measures taken by Québec since 2004-2005



Health

\$1.3 BILLION MORE

Increase of \$1.3 billion in the health budget in 2007-2008

This represents an increase of 6%.

2/3 of the growth in spending is going to health.

TARGETING PREVENTION

- Creation of the Fund for the promotion of a healthy lifestyle in partnership with the Fondation Lucie et André Chagnon: \$400 million over 10 years
- Investment in the construction of new university hospitals

Since 2003, \$4.4 billion has been reinvested in health.

Education

\$567 MILLION MORE

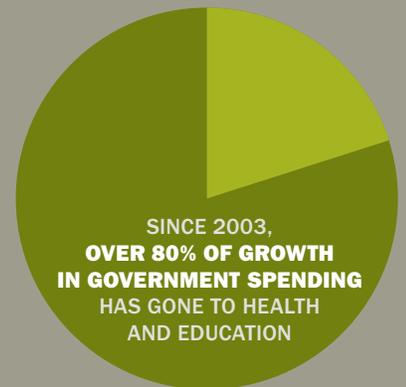
Increase of \$567 million in the education budget

This represents an increase of 4.4%.

INVESTING IN THE FUTURE

- An additional \$320 million for post-secondary education
- Improvement of college and university education infrastructure

Since 2003, \$1.7 billion has been reinvested in education.



Infrastructure

Since 2003, \$16.1 billion has been invested in infrastructure.

ROAD INFRASTRUCTURE

\$7.9 billion for roads, bridges and viaducts by 2011.

LOCAL INFRASTRUCTURE

\$30 million to renovate municipal bridges and civil engineering works

Investments of \$2.3 billion over the next four years for infrastructure associated with public transit, drinking water supply, wastewater treatment and local road networks

HEALTH AND EDUCATION INFRASTRUCTURE

A policy for maintaining assets in health and education

- Since 2003, the government has raised assets maintenance budgets from \$645 million to \$1.2 billion.

FOR CULTURE

Since 2003, we have increased spending on culture by \$125 million.

- ▶ Renovation of Palais Montcalm in Québec City
- ▶ Announcement of the construction of a new concert hall for the OSM
- ▶ Additional support of \$10 million for maintaining the vitality of Québec's film industry
- ▶ \$5 million more every year for museums
- ▶ \$2 million more every year for public libraries
- ▶ Placements Culture program: \$3 million more

For the Elderly

ACTION STRATEGY FOR THE ELDERLY

Free medication for 74 000 low-income seniors

Retirement income splitting

- A couple with one retirement income of \$40 000 will be eligible for a tax cut of \$878.

Increase in retirement income giving entitlement to the tax credit from \$1 000 to \$1 500

- Over 356 000 people will benefit from this tax relief.

New tax credit of up to \$500 for volunteers who provide respite services to informal caregivers

- An innovative measure aimed at giving informal caregivers a rest

The government supports phased retirement.

- The rules governing the pension plans and related tax rules must be eased.

- We have begun working with the federal government on this question.

Major initiatives worth \$238 million per year

For Québec Families

TWO MAJOR ACHIEVEMENTS

Parental insurance plan—the most generous in North America

Achievement of the objective of making 200 000 reduced-contribution daycare spaces available through the creation of 36 000 new spaces

WE ARE DOING EVEN MORE

Recurring support of \$3 million for 250 community drop-in daycare centres

Introduction of a tax credit for registered education savings plans (RESPs)

- Each annual investment of \$2 000 in an RESP will give entitlement to a tax credit of up to \$250, which will be added to the plan.

Enhancement of the tax credit for the treatment of infertility

People With Low Incomes

A RESULT THAT SPEAKS FOR ITSELF

Since 2003, the number of Quebecers on social assistance has fallen by 52 000.

FOR SOCIAL HOUSING

The government is staying the course on its goal of building 20 000 social housing units.

For Sustainable Development

Québec is a leader in the area of sustainable development. The steps taken to make Québec greener are convincing proof of this.

SUSTAINABLE DEVELOPMENT: QUÉBEC IS A WORLD LEADER

Climate change is one of the greatest challenges of our time.

Québec already has a better track record than Canada when it comes to greenhouse-gas emissions:

- Thanks to the preponderant role of hydroelectricity in our energy balance

The government has decided to remain at the forefront by tabling a plan, with ambitious objectives, to fight climate change:

- Financial commitments of \$1.2 billion over six years

The federal government has announced that it will contribute to Québec's efforts regarding climate change:

- \$350 million in the next federal budget

PROMOTING THE PURCHASE OF HYBRID VEHICLES

To help Quebecers do their part in the fight against climate change, the refund of the QST paid in respect of the purchase of an eligible hybrid vehicle is increased from \$1 000 to \$2 000.

ENERGY TO BUILD THE QUÉBEC OF TOMORROW

New energy policy tabled in May 2006 on the development of two clean, renewable energy sources

- The resumption of major hydroelectric projects will require investments of \$25 billion over the next 10 years.
- The development of wind energy will require investments of \$6 billion over the same period.

Shouldering Our Responsibilities

Québec has over 400 contaminated sites that pose a threat to the environment and public health.

The government is acting responsibly by implementing a plan to restore these sites. This \$333-million plan will be carried out over 10 years.

The restoration work will have substantial economic spin-offs for the regions concerned.

THE ENERGY
STRATEGY WILL LEAD
TO THE CREATION
OF 70 000 JOBS
IN THE REGIONS



More Prosperous Regions

EXCEPTIONAL SUPPORT FOR THE FOREST SECTOR

The government has implemented a \$1.4-billion support plan over four years.

This plan is producing results:

- More than 6 500 workers are already availing themselves of the measures in place.
- Businesses have submitted projects totalling \$500 million.
- Plans worth almost \$80 million have been submitted for the construction and repair of forest roads and bridges.
- Some 20 diversification and development contracts have been concluded with the RCMs.

To encourage the forest industry to invest in modernization, the capital tax credit of 15% for new investments in manufacturing and processing equipment is being extended until December 31, 2012.

FOR THE MINING SECTOR

- Additional appropriations of \$7 million per year over the next three years for mining potential evaluation activities

GREATER AUTONOMY AND MORE RESOURCES

Since 2003, we have made the autonomy of the regions the central focus of their development.

We are setting another milestone with our strategy for the development of every region.

With this strategy, we are taking action on two fronts:

- We are placing additional financial means under the control of the regions:
 - \$300 million for the Fonds de développement régional, which is managed locally by the CREs;
 - \$165 million for the niches of excellence identified by the ACCORD projects and for supporting regional entrepreneurship;
 - \$45 million for the activities of the regional natural resource and land commissions.

- The strategy also includes additional resources for government programs:
 - \$99 million to promote business investment and productivity;
 - \$51 million to support sectors that have to cope with specific challenges.

Strategy for the Development of Every Region

(millions of dollars)

Additional resources under the regions' authority

● Fonds de développement régional (FDR)	300
● Economic development efforts shepherded by the regions (ACCORD projects and CLDs)	165
● Funding for regional natural resource and land commissions	45
● Support for the economic development of Montréal and Québec City	165
Sub-total	675

Additional resources allocated to government programs for the regions

● Support for business investment and productivity	99
● Support for the mining, tourism, agriculture and fishing sectors	51
Sub-total	150
TOTAL	825

For Montréal and Québec City

The **2007-2008 Budget**
at a **Glance**

SPECIAL SUPPORT

Aware of the specific challenges faced by Montréal and Québec City, the government is providing an array of support measures.

Government economic development strategies and policies have major spin-offs for our large cities.

For example, the new innovation strategy has significant impacts on Montréal and Québec since these two cities account for 67% of Québec's private research and development activities.

● **Fight against street gangs**

Since citizen safety is an important issue for large cities, we are allocating \$34 million to the Québec Street Gang Intervention Plan.

SPECIFIC SUPPORT FOR CERTAIN SECTORS

TOURISM

- An additional \$5 million to support festivals and tourism events
- \$30 million for the construction of a cruise ship terminal at the A.-Lepage dock in Saguenay

AGRIFOOD

- \$15 million over five years for leading food processing businesses to enable them to step up their production capacity
- Increase in the tax on capital exemption threshold for farming and fishing corporations from \$400 000 to \$5 million
- \$10 million over five years to help the fishing industry increase its productivity

Montréal

Québec City

- \$140 million stemming from the Strategy for the Development of Every Region
- Close to \$900 million under the agreement on the new fiscal and financial partnership
- \$11 million for assuming part of the deficit of Montréal's metro system
- Full compensation of the property taxes of the Grande Bibliothèque and State museums
- Refund of the fuel tax to the Société de transport de Montréal
- Implementation of the first responder service
- Refinancing of the deficit of the pension plan for Ville de Montréal employees

- \$25 million stemming from the Strategy for the Development of Every Region
- Close to \$300 million under the agreement on the new fiscal and financial partnership
- \$110 million for the festivities marking Québec City's 400th anniversary
- Full compensation of the property taxes of the Grand Théâtre and State museums
- An additional \$2.8 million annually to enable Québec to play its role as capital
- \$15 million for Jean-Lesage airport
- \$36.5 million for cleaning up the rivière Saint-Charles



FEDERAL-PROVINCIAL RELATIONS

MAJOR PROGRESS SINCE 2003

- Agreement on asymmetrical federalism
- Representation of Québec at UNESCO
- Recognition of Québec as a nation
- An additional \$14 billion over six years, particularly for health and infrastructures

THE NEED TO ARRIVE AT A DURABLE SOLUTION REGARDING THE FISCAL IMBALANCE

- Thoroughly reforming the equalization program
- Restoring the federal government's contribution to post-secondary education and other social programs
- Limiting federal spending power

Since 2003, Québec has experienced strong economic growth thanks to dynamic domestic demand:

- Households have increased their real personal spending by 3% or more every year.
- New home construction has remained high with 51 900 housing starts annually, twice the number in the late 1990s.
- Since 2003, businesses' real investment has grown by over 25%, four times the rate from 1999 to 2002.
- Nearly 200 000 jobs have been created and the unemployment rate has declined, reaching 8% in 2006, the lowest level in 30 years.

This performance is especially impressive for having occurred despite:

- The substantial appreciation of the Canadian dollar
- Increasingly stiff competition from emerging economies

Québec's dynamic economic activity will continue over the next two years:

- After growing by 2% annually over the past four years—a rate comparable to that observed in the past 25 years—real GDP will increase by 1.8% in 2007 and 2.5% in 2008.

Economic outlook for Québec

	2007	2008
Real gross domestic product (annual % change)	1.8	2.5
Real consumption (annual % change)	3.2	2.4
Job creation (thousands)	40.4	41.3
Unemployment rate (%)	8.0	7.9