

#### PRESS RELEASE No. 2

## **BUDGET 2014-2015**

# A Return to a Balanced Budget Based Mainly on the Reduction of Public Spending

**Québec, June 4, 2014** – In tabling Québec's Budget 2014-2015, the Minister of Finance, Carlos Leitão, announced a series of measures to restore sound public finances.

"The effort required to return to a balanced budget will be focused essentially on public spending, with more than 90% being made in 2014-2015. In 2015-2016, once the systematic program analysis is under way, the share will be raised to 95%.

### **Spending measures**

The Minister announced measures to reduce program spending growth, cut tax expenditures and control the spending of government bodies and enterprises. He also announced a general freeze on staffing in the public and parapublic sectors until 2015-2016.

He noted that in April, the government announced spending control measures for all departments as of 2014-2015, in the form of productivity gains representing 2% of the payroll, a 3% reduction in operating expenditures and tightening of subsidy grants and promises.

With Budget 2014-2015, new spending control measures grouped into four categories will be introduced:

- administrative spending cuts:
- reviews of certain program costs or the schedule for certain projects;
- reconsideration of certain development measures;
- other measures, such as reducing the amounts paid to bodies.

"These measures will represent savings totalling \$2.7 billion in 2014-2015 and \$2.4 billion in 2015-2016," the Minister declared.

In addition, the government will ask government enterprises, bodies and special funds to make an effort comparable to that requested of government departments, so as to reduce government public spending by \$438 million in 2014-2015 and \$172 million in 2015-2016.

Lastly, the Minister announced that the government will proceed with a general freeze on staffing in the public and parapublic sectors, to be carried out until the end of fiscal 2015-2016, it being understood that any positions that become available during that period will be allocated on a priority basis to services to the public. This general

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freeze will achieve savings of \$100 million in 2014-2015 and \$500 million in 2015-2016.

"I would like to stress that any new budgetary program or government service not provided for in the financial framework must necessarily be financed through equivalent program savings. This is known as offsetting public spending," the Minister declared

### Tax expenditure measures

The Minister also announced a series of measures concerning the government's tax expenditures. "Québec has many targeted tax assistance measures for businesses, particularly large corporations. These measures are costly and can create unfairness. The government wants to gradually change these incentives so that they are general rather than specific in scope. These measures of general scope will be simpler to apply, thus maximizing their benefits and limiting the administrative burden on businesses," the Minister explained.

He announced a 20% reduction in the rates of several tax credits, the elimination or suspension of certain tax measures announced since September 2012, as well as caps on certain fiscal measures for business capitalization. The reduction of tax expenditures will cut spending by \$348 million by 2015-2016.

"The government's aim is for Québec's corporate tax system to compare favourably with those of its main trading partners. Québec must offer businesses conditions fostering investment and innovation to increase wealth creation and thus secure the prosperity of Quebecers. The recommendations of the Québec Taxation Review Committee, which will be tabled before the next budget, will contribute to the reflection process surrounding the review of Québec's tax system," the Minister said.

#### **Revenue measures**

The Minister also announced measures that will increase government revenues. The first aims to introduce new measures in the fight against tax evasion. These efforts should bring in additional revenues of \$111 million in 2014-2015 and \$133 million in 2015-2016.

In addition, the tobacco tax will increase by \$4 per carton of 200 cigarettes as of June 5, 2014. In addition, the rates of the specific tax on alcoholic beverages, which vary according to the type of product and the place where they are consumed, will be standardized. The tax rates respecting products sold for consumption in bars and restaurants will be reduced and those applicable to products sold for consumption at home will be raised.

"Restoring fiscal balance and closing the gap between spending growth and revenue growth will enable us to preserve our freedom of choice, which we could lose if nothing is done," the Minister concluded.

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