

Budget 2020-2021

**Increasing the potential of the economy
and creating wealth for all Quebecers**

Québec, March 10, 2020. – The *Québec Budget Plan – March 2020*, tabled today by Minister of Finance Eric Girard, enables the government to continue its efforts to increase the potential of the economy and create more wealth for all Quebecers by taking action on several fronts. In particular, major investments are planned in education, a government priority and a pillar of Québec's economic development.

Over the next five years, the government will implement initiatives totalling more than \$5.8 billion aimed in particular at:

- making education a vehicle for wealth;
- putting money back in the pockets of Quebecers;
- boosting and showcasing Québec culture;
- enhancing our businesses' competitiveness.

Education as a vehicle for wealth

The government once again emphasizes the importance of education as a vehicle for wealth creation by increasing spending on education and higher education by 4.5% for 2020-2021. Additional investments of nearly \$1.5 billion are therefore planned for the next five years, including \$817 million to improve educational success for youth, and \$550 million to increase the number of college and university graduates.

In concrete terms, 350 new 4-year-old kindergarten classes will be added to bring the total to 1 010 classes, which will give thousands of children the chance to start school earlier and in a stimulating environment. The government's objective is to reach 2 600 classes within four years.

The government is also taking action to provide better support to students whose needs cannot be met in regular classrooms by creating at least 150 new special classes. Budget 2020-2021 provides for investments of \$126 million to hire new resources to support students with special needs.

Putting money back in the pockets of Quebecers

As part of Budget 2020-2021, the government is taking another step toward standardizing school tax rates by announcing an additional reduction in rates as of July 1. This additional reduction will allow Quebecers to benefit once again this year from a major reduction in school taxes and will also reduce rate inequities between regions and streamline tax administration.

The implementation of the single school tax rate will eventually allow the owner of a \$275 000 dwelling located in Montréal to save \$182 compared to 2018. For the same dwelling located in Mauricie or Saguenay–Lac-Saint-Jean, the school tax reduction will amount to \$509.

In last fall's economic update, the government made it possible for thousands of Québec parents to avoid paying an additional contribution for subsidized childcare services by announcing a return to a single rate. To enable even more families to benefit from this reduced rate, this budget provides for additional investments of \$339 million over five years. A total of 6 000 spaces will be added to the 235 000 subsidized spaces already offered. These new spaces will be available within two years.

Historic investments to boost and showcase Québec culture

The cultural sector makes a substantial contribution to Québec's visibility and economic development. In this context, Budget 2020-2021 provides for unprecedented additional investments of \$407 million over the next five years to further promote Québec's cultural distinctiveness and foster its growth.

In concrete terms, these investments will be used to:

- stimulate cultural vision and innovation;
- further support the music industry;
- establishing cultural infrastructure in the regions.

In particular, this translates into enhanced support for film and television production. In addition, in order to help the music industry adapt to the transformation in business models brought about by the arrival of streaming platforms and opening to international markets, the government intends to enhance the tax credit for the production of sound recordings and the tax credit for the production of shows.

Tax measures to foster investment and innovation

In order to provide a business environment conducive to business modernization and to attract major investment projects, the government is introducing a new investment and innovation tax credit (C3i). This measure, which represents an investment of \$526 million over five years, aims in particular to accelerate the digital transformation of Québec's businesses and to optimize their business models. It will support more than 10 000 businesses annually by 2025 and will drive investments totalling up to \$1.3 billion.

Budget 2020-2021 also provides for the introduction of the incentive deduction for the commercialization of innovations (IDCI), for which nearly 15 000 businesses will be eligible. This incentive will support the commercialization of Québec innovations that represent annual revenues of \$2.4 billion. The introduction of the IDCI means that businesses developing and commercializing intellectual property in Québec will benefit from the most competitive tax rate in North America.

Remarkable economic growth and increased living standards

The Québec economy grew by 2.8% in 2019, a remarkable performance that is superior to that of Canada and Ontario. This increase in economic activity has helped raise Quebecers' standard of living and narrow the gap with Ontario in this regard. Economic growth should remain strong in 2020 and reach 2.0%.

In addition, the government confirms that the objective of reducing the gross debt burden to 45% of GDP has been achieved six years earlier than expected. The objective of reducing the debt representing accumulated deficits to 17% of GDP is expected to be achieved as at March 31, 2023, three years ahead of schedule. Reducing the debt burden will, in particular, enable Québec to better fund public services, invest more extensively in infrastructure and address economic challenges.

Quotation:

"This second budget reiterates our government's commitment to education, which is a pillar of Québec's economic and social development and a vehicle for wealth. Quality education services, from early childhood to higher education, are essential for ensuring sustainable economic growth and training skilled workers. We are also taking action on several other fronts, including business innovation and investment, to increase the potential of the economy and create more wealth for all Quebecers."

Eric Girard, Québec Minister of Finance and Minister Responsible for the Laval Region

Related link:

Full details of Budget 2020-2021:

http://www.budget.finances.gouv.qc.ca/budget/2020-2021/index_en.asp .

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