

**2001-2002 BUDGET**

**A NEW PERSONAL INCOME TAX REDUCTION OF  
\$3.5 BILLION**

**Québec City, March 29, 2001** – Deputy Prime Minister and Minister of State for the Economy and Finance Pauline Marois announced a new, substantial reduction in personal income tax when she tabled her **2001-2002 Budget** today. The total reduction will be \$3.5 billion over the next three fiscal years, that is, \$1 billion in 2001-2002, \$1.2 billion in 2002-2003 and \$1.3 billion in 2003-2004. Ms. Marois added that “the new deduction accelerates and amplifies the tax cuts announced in March 2000 so that, by 2002, taxpayers will be paying an average of 20% less income tax annually.”

The new personal income tax reduction will take full effect as of July 2001 and taxpayers will immediately see an increase in their paycheques as a result. The 20% cut effective in 2002 will ease the burden of taxable households by an average of \$1 410. In total, at the close of the four fiscal years ending in March 2004, and including the reduction announced in March 2000, taxpayers will have benefited from a cumulative tax reduction of \$11 billion.

**Reduced tax rates, automatic indexation one year earlier**

The tax reduction announced by the Deputy Prime Minister and the Minister of State for the Economy and Finance stems from the following three changes to the personal income tax system.

- The application of a new tax table as of July 2001. The three rates of 18%, 22.5% and 25% have been lowered to 16%, 20% and 24% respectively. Thus, in the space of only two Budgets, the first rate in the tax table—the one that applies to all taxpayers—will have been reduced by 4 percentage points, the second by 3 points and the third by 2 points.
- The acceleration of the additional tax reduction for families announced in March 2000. This additional relief will come into effect a year ahead of schedule, and apply retroactively to January 2001.
- The indexation of the personal income tax system, as of January 2002.

## **Families and the middle class benefit most**

The new tax reduction especially benefits the middle class, less affluent taxpayers and families with children who belong to these income brackets.

In her **2001-2002 Budget Speech**, the Deputy Prime Minister and Minister of State for the Economy and Finance gave a few, concrete examples of the cumulative tax cut that will benefit taxpayers.

- A two-earner couple with two children and a family income of \$50 000 will see a cumulative tax cut of \$2 141, or 43%, in 2002.
- A single-parent family with one child and \$30 000 in income will pay \$1 010, or 45%, less income tax.

## **A tax system that remains progressive**

Ms. Marois stressed that the personal income tax system is still one of the most progressive in North America, a system in which 40% of taxpayers do not pay income tax. She went on to say: “By restoring public finances, the government has succeeded in easing Quebecers’ tax burden while maintaining accessible, quality public services. This new tax enables them to benefit directly from the dividends of a prosperous, invigorated economy”.

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