

Tabling of Documents

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Minister of Finance

Minister of Government Services

Minister responsible for Government Administration

Chair of the Conseil du trésor

**Concerning the Government's 2007-2008
Budgetary Policy**

June 1, 2007

**Additional Information
on the Revenue Measure
Announced in the Ministerial Statement
Concerning the Government's
2007-2008 Budgetary Policy
Delivered on June 1, 2007**

Increase in the tax rate of financial institutions and oil refining companies

Corporations with an establishment in Québec are subject to income tax on their taxable income, at the current rate of 9.9%.¹

In the April 21, 2005 Budget Speech, a gradual increase of three percentage points was announced in the tax rate applicable to all corporations. Thus, the tax rate was first increased on January 1, 2006, from 8.9% to the current rate of 9.9%. It will rise to 11.4% as of January 1, 2008, and ultimately reach 11.9% as of January 1, 2009.

Given the additional spending to improve home care for seniors, support students with learning difficulties and promote the economic development of the resource regions, and in order to maintain the government's balanced budget, the tax rate applicable to financial institutions and oil refining companies will be raised immediately by two percentage points, from 9.9% to 11.9%—an increase on the order of 20%. The increase will apply as of the day of this ministerial statement.

The financial institutions targeted by this increase in the tax rate are those subject to the tax on capital payable by financial institutions, namely, banks, savings and credit unions, loan companies, trust companies and corporations dealing in securities.

The term "oil refining company" means any corporation that carries on an oil refining business or that owns or leases property used, by a corporation, partnership or trust with which it is associated, to carry on such a business.

To determine whether a corporation is associated with a partnership or trust during a given taxation year, the presumptions generally applicable in such circumstances will be used. Consequently, the partnership or trust will be considered a corporation all of whose voting shares belong to the members of the partnership or the beneficiaries of the trust income at the end of the taxation year, in proportion to their share of the partnership's or trust's income or loss for the fiscal year ending in the taxation year.²

For greater clarity, the increase in the tax rate applicable to oil refining companies will target the companies' total income, not just their income from refining operations.

Where the taxation year of a financial institution or an oil refining company straddles the day of this ministerial statement, the effective tax rate applicable for that taxation year will be a weighted rate reflecting the number of days in the taxation year included in the period preceding that day and in the period beginning on that day.

Lastly, the instalments of a financial institution or an oil refining company whose taxation year straddles the day of this ministerial statement will have to be adjusted, in accordance

¹ Canadian-controlled private corporations with paid-up capital below \$15 million may take advantage of a lower tax rate—8%—regarding their income eligible for the small business deduction.

² To that end, the partnership's income will be deemed to be equal to \$1 million.

with the standard rules, as of the first instalment following that day, in order to take into account the impact of the higher tax rate.

**Adjustments to the 2007-2008 Financial
Framework Further to the
Ministerial Statement of June 1, 2007**

Gouvernement du Québec
 Summary of consolidated financial transactions
 2007-2008 forecast
 (millions of dollars)

	Budget tabled on May 24, 2007	Impact of the ministerial statement	2007-2008 budget
BUDGETARY REVENUE			
Own-source revenue	47 842	111	47 953
Federal transfers	13 174	—	13 174
Total	61 016	111	61 127
BUDGETARY EXPENDITURE			
Program spending	- 53 802	- 111	- 53 913
Debt service	- 7 244	—	- 7 244
Total	- 61 046	- 111	- 61 157
NET RESULTS OF CONSOLIDATED ORGANIZATIONS			
	30	—	30
Deposit in the Generations Fund	- 200	—	- 200
Use of part of the budgetary reserve	200	—	200
CONSOLIDATED BUDGETARY BALANCE FOR THE PURPOSES OF THE BALANCED BUDGET ACT			
	0	0	0
Net results of the Generations Fund	653	—	653
CONSOLIDATED BUDGETARY BALANCE			
	653	—	653
CONSOLIDATED NON-BUDGETARY TRANSACTIONS			
	- 1 091	—	- 1 091
CONSOLIDATED NET FINANCIAL REQUIREMENTS			
	- 438	—	- 438
CONSOLIDATED FINANCING TRANSACTIONS			
Change in cash position	6 069	—	6 069
Net borrowings	- 102	—	- 102
Retirements plans sinking fund	- 4 876	—	- 4 876
Generations Fund	- 653	—	- 653
TOTAL CONSOLIDATED FINANCING TRANSACTIONS	438	—	438

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

Gouvernement du Québec
Budgetary revenue of the Consolidated Revenue Fund
2007-2008 forecast
(millions of dollars)

	Budget tabled on May 24, 2007	Impact of the ministerial statement	2007-2008 budget
OWN-SOURCE REVENUE			
Income and property taxes			
Personal income tax	18 045	—	18 045
Health Services Fund	5 408	—	5 408
Corporate taxes ¹	4 618	111	4 729
	28 071	111	28 182
Consumption taxes			
Retail taxes	10 020	—	10 020
Fuel	1 701	—	1 701
Tobacco	649	—	649
Alcoholic beverages	438	—	438
	12 808	—	12 808
Duties and permits			
Motor vehicles	758	—	758
Natural resources	- 46	—	- 46
Other	179	—	179
	891	—	891
Miscellaneous			
Sales of goods and services	391	—	391
Interest	578	—	578
Fines, forfeitures and recoveries	478	—	478
	1 447	—	1 447
Revenue from government enterprises			
Hydro-Québec	2 545	—	2 545
Loto-Québec	1 329	—	1 329
Société des alcools du Québec	745	—	745
Other	6	—	6
	4 625	—	4 625
Total	47 842	111	47 953
FEDERAL TRANSFERS			
Equalization	7 160	—	7 160
Health transfers	3 698	—	3 698
Transfers for post-secondary education and other social programs	1 371	—	1 371
Other programs	945	—	945
Total	13 174	—	13 174
TOTAL BUDGETARY REVENUE	61 016	111	61 127

1 Includes tax on corporate profits, tax on capital and tax on premiums in lieu of the tax on capital for insurance companies, as well as the tax on public services.

Gouvernement du Québec
Budgetary expenditure of the Consolidated Revenue Fund
2007-2008 forecast
(millions of dollars)

	Budget tabled on May 24, 2007	Impact of the ministerial statement	2007-2008 budget
PROGRAM SPENDING BY DEPARTMENT			
Affaires municipales et Régions	1 768.3	21.0	1 789.3
Agriculture, Pêcheries et Alimentation	703.0	—	703.0
Assemblée nationale	105.2	—	105.2
Conseil du trésor et Administration gouvernementale	599.9	—	599.9
Conseil exécutif	316.4	—	316.4
Culture, Communications et Condition féminine	623.8	—	623.8
Développement durable, Environnement et Parcs	194.4	—	194.4
Développement économique, Innovation et Exportation	755.8	—	755.8
Éducation, Loisir et Sport	13 395.2	30.0	13 425.2
Emploi et Solidarité sociale	4 126.5	—	4 126.5
Famille et Aînés	1 803.6	—	1 803.6
Finances (excluding debt service)	159.9	—	159.9
Immigration et Communautés culturelles	111.3	—	111.3
Justice	635.9	—	635.9
Personnes désignées par l'Assemblée nationale	74.3	—	74.3
Relations internationales	116.2	—	116.2
Ressources naturelles et Faune	448.9	—	448.9
Revenu	926.6	—	926.6
Santé et Services sociaux	23 843.2	60.0	23 903.2
Sécurité publique	991.8	—	991.8
Services gouvernementaux	83.6	—	83.6
Tourisme	140.7	—	140.7
Transports	2 074.8	—	2 074.8
Travail	31.7	—	31.7
Subtotal	54 031.0	111.0	54 142.0
Anticipated lapsed appropriations	- 150.0	—	- 150.0
Deferred appropriations in 2008-2009	- 78.8	—	- 78.8
Total	53 802.2	111.0	53 913.2
DEBT SERVICE			
Direct debt service	4 923.0	—	4 923.0
Interest ascribed to the retirement plans	2 321.0	—	2 321.0
Total	7 244.0	—	7 244.0
TOTAL BUDGETARY EXPENDITURE	61 046.2	111.0	61 157.2