



AT A GLANCE

2008-2009 BUDGET

1. REWARDING INVESTMENT
2. DEVELOPING THE KNOWLEDGE AND SKILLS OF QUEBECERS
3. SUPPORTING FAMILIES AND THE WELL-BEING OF QUEBECERS
4. STAYING THE COURSE TOWARDS SUSTAINABLE DEVELOPMENT
5. MEETING THE PUBLIC FINANCE CHALLENGE

Québec 

CREATING A NEW ECONOMIC SPACE

"We see opportunities
for Québec in the current
economic context.

This budget is in line with our
government's vision for the future:
opening up a new economic space
for Québec."

Monique Jérôme-Forget

PRUDENCE AND DISCIPLINE

I am pleased to present my second budget as Québec's Finance Minister. My first budget was inspired by rigour and transparency. This one is marked by prudence and discipline.

This budget aims to improve the standard of living and well-being of Quebecers. It is in line with our government's action plan to give new momentum to Québec's economic development.

A BUDGET WITH FIVE PARTS

FIRST, our businesses need to be modernized. We are stimulating investment.

SECOND, we have to develop our greatest source of wealth: the talent of Quebecers. We are investing in education and training.

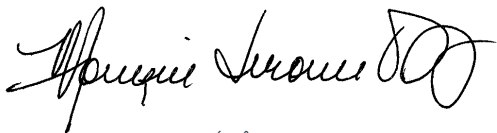
THIRD, economic development has meaning only if it contributes to social progress. We are supporting families, children and seniors.

FOURTH, our environment must be protected in keeping with the principles of sustainable development. We are developing clean technologies.

FIFTH, respecting intergenerational fairness is an important principle for our government. We are accelerating the fight against indebtedness.

This is a unifying budget that supports our goal to create a more prosperous society where all citizens, regardless of their origin or age, can contribute to our collective success.

I am proud of this 2008-2009 Budget, just as I am proud to be a member of this government that has the ability to make Québec grow.



MONIQUE JÉRÔME-FORGET
Minister of Finance
Minister of Government Services
Minister responsible
for Government Administration
Chair of the Conseil du trésor





“With this budget, we are taking fundamental steps to enable us to seize the opportunities that arise.”

Monique Jérôme-Forget

THE CHALLENGES FACING QUÉBEC'S ECONOMY

Our economy is doing well, despite the problems currently experienced in the United States. The actions taken by the government should enable Québec to continue to grow.

Economic growth in 2008 has been revised to 1.5%.

When Québec's previous budget was presented, the economic growth forecast was 2.5% for the current year.

When leeway is limited, choices must be made. We have chosen to take strategic action that will catapult Québec to the ranks of the most prosperous economies.

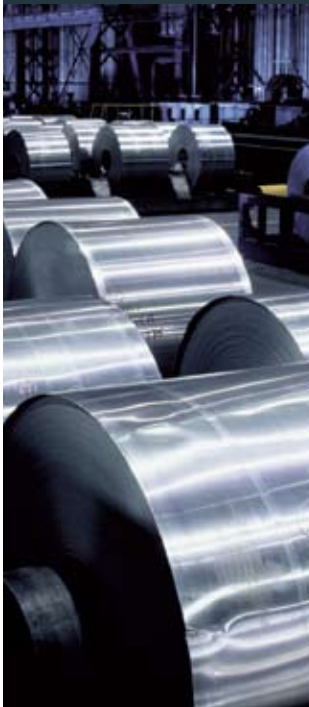
IMPROVING OUR PRODUCTIVITY

To raise Quebecers' standard of living and well-being, we must close our productivity gap.

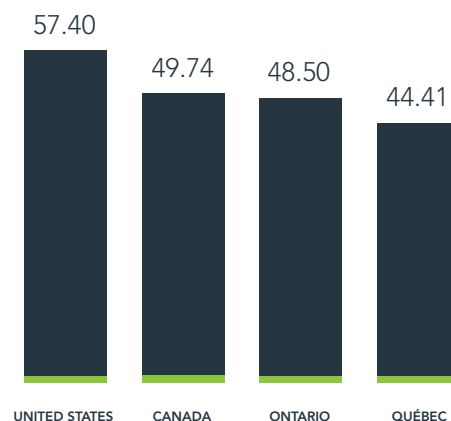
Improving productivity requires increasing investments in business modernization and developing know-how and skills.

Why become more productive?

- * To provide better health care.
- * To provide better education.
- * To better support the most disadvantaged among us.
- * And to have higher wages and income.



PRODUCTIVITY
(GDP per hour worked, 2006)



1.

REWARDING INVESTMENT

A tax system that stimulates investment through :

- * the immediate elimination of the tax on capital for the manufacturing sector;
- * a new investment tax credit.

"This budget creates a fiscal environment that has never been more favourable to investment and productivity improvement."

Monique Jérôme-Forget

Québec businesses must adapt to economic changes and seize the opportunities that present themselves. In recent years, businesses have stepped up their investments. They must continue their efforts.

The 2008-2009 Budget encourages Québec businesses to pick up the pace of their investments.

ELIMINATION OF THE TAX ON CAPITAL

The tax on capital is an impediment to investment. It is being eliminated immediately for all businesses in the manufacturing sector.

- By the end of 2010, the tax on capital will also be eliminated for businesses as a whole.
- In addition, the accelerated depreciation for manufacturing and processing equipment is being extended for three years.

INVESTMENT TAX CREDIT

An investment tax credit of 5% for the purchase of manufacturing and processing equipment is being introduced. It will be accessible to all businesses in Québec.

Investment assistance will be raised on the basis of the remoteness of the resource regions.

The investment credit will be:

- 20% for the Saguenay-Lac-Saint-Jean and Mauricie regions and the three RCMs already covered by tax assistance for the resource regions;
- 30% for the Bas-Saint-Laurent region;
- 40% for the Gaspésie-Îles-de-la-Madeleine, Côte-Nord, Abitibi-Témiscamingue and Nord-du-Québec regions.

\$50 million over five years will also be allocated to assist RCMs experiencing economic difficulties.





"All regions of Québec must participate in the new economy."

Monique Jérôme-Forget

INVESTING IN INNOVATIVE ACTIVITIES

Information technology is a rapidly expanding sector and a powerful lever for boosting productivity.

TAX CREDIT FOR INFORMATION TECHNOLOGIES

The 2008-2009 Budget is supporting investment in innovative activities through a tax credit equal to 30% of salaries for new information technology companies.

- From now on, this assistance will be available throughout Québec.

Under the new *Communautés rurales branchées* program, high-speed Internet service will be accessible in all regions of Québec.

STIMULATING INVESTMENT IN ALL SECTORS OF THE ECONOMY

MINING SECTOR

- * Creation of the *Fonds du patrimoine minier*.
- * Creation of a national mining institute.

AGRIFOOD SECTOR

- \$60 million over five years:
- * to support the new generation of farmers;
 - * to diversify production in this sector;
 - * to support modernization of businesses in the food processing sector.

CULTURAL INDUSTRY

- * \$10 million for Placements Culture, bringing the government's contribution to \$25 million.

2.

DEVELOPING THE KNOWLEDGE AND SKILLS OF QUEBECERS



By 2011, Québec will have to fill 700 000 jobs. Some sectors and regions are already suffering from a shortage of workers. This is one of the greatest threats to Québec's future prosperity.

Education is essential to the economic well-being of individuals and to that of Québec as a whole. Access to quality education is important for economic growth.

INVESTING IN HIGHER EDUCATION

- \$250 million will be invested in universities over the next five years.
- \$150 million over five years will be invested in developing vocational and technical training and building new bridges between businesses and training centres.

IMPLEMENTING THE EMPLOYMENT PACT

The Budget is allocating \$196 million over five years to the Employment Pact, which will make it possible to:

- offer training to workers who wish to upgrade their skills;
- help unemployed people to acquire new skills;
- support social assistance recipients who wish to return to work;
- lift the obstacles to hiring immigrants.

ENABLING NEWCOMERS TO PARTICIPATE FULLY IN QUÉBEC'S DEVELOPMENT

A large number of skilled immigrants contribute significantly to the growth of our collective wealth.

- 20% increase in immigration funding, particularly for the integration and francization of newcomers.

PHASED RETIREMENT

To enable workers who wish to stay in the labour market longer to do so, measures to promote phased retirement will be implemented.

PROMOTING THE USE OF FRENCH IN THE WORKPLACE

All Québec businesses will have access to a new tax credit for francization.



3.

SUPPORTING FAMILIES AND THE WELL-BEING OF QUEBECERS

SUPPORTING FAMILIES

- Creation of another 20 000 daycare spaces over five years, bringing the number of spaces in the subsidized daycare network to 220 000.
- Substantial improvement to the tax credit for child care expenses.

In all, the government invests more than \$5 billion a year in assistance for families.

IMPROVING THE QUALITY OF LIFE OF SENIORS

- Simplification and improvement, from 25% to 30%, of the tax credit for home support for elderly persons.
- An extra \$80 million per year to step up the development of home care services.
- New tax credit of 30% for informal caregivers to cover part of the expenses incurred to obtain respite assistance.
- Increase in the maximum amount of the tax credit for retirement income from \$1 500 to \$2 000 over two years.

Since 2003, the government has more than doubled the tax assistance and budgetary appropriations devoted to home care.

TAX-FREE SAVINGS ACCOUNT

Quebecers will be able to take advantage of the new Tax-Free Savings Account (TFSA), for which the maximum annual contribution will be \$5 000 per year.

TWO INNOVATIVE FUNDS

Through a partnership with the Chagnon family, two important funds are being introduced.

- * Fund for the development of children age 5 and under living in a situation of vulnerability:
 - \$400 million over 10 years.
- * Fund to develop services for informal caregivers:
 - \$200 million over 10 years.

Québec is recognized for its efforts to promote sustainable development.

We have:

- * introduced a new right, namely, the right to live in a healthy environment;
- * adopted an action plan on climate change;
- * imposed a royalty on hydrocarbons;
- * made Québec a world renewable-energy leader.

4.

STAYING THE COURSE TOWARDS SUSTAINABLE DEVELOPMENT

Sustainable development, because it fosters innovation, also fosters wealth creation.

The 2008-2009 Budget is announcing a series of measures to pursue government action to protect the environment and foster sustainable development.

SUPPORTING THE DEVELOPMENT OF CLEAN TECHNOLOGIES

- \$12 million over four years to support innovation in the cleantech sector. This new investment is in addition to the \$225 million already available.

PROTECTING AND PROMOTING THE VALUE OF OUR NATURAL HERITAGE

- \$106 million over five years for stepping up protection and promotion of the value of our collective natural heritage.
- Nearly \$15 million over five years for the creation of a water information office, the *Bureau québécois de connaissances de l'eau*, whose mission will be to fill gaps in our expertise on this resource.

AN ENVIRONMENTALLY RESPONSIBLE GOVERNMENT

The public administration must set the example as far as environmental protection is concerned. Every department and agency should incorporate sustainable development concepts into their purchasing policies.

"Sustainable development is now a way to live, grow and succeed."

Monique Jérôme-Forget

5.

MEETING THE PUBLIC FINANCE CHALLENGE

TIGHT REIN ON SPENDING

Thanks to vigilant control over public finances, spending has grown by an average of 4.5% per year in Québec since 2003, compared with 6.8%, on average, in the other provinces.

Over the next two fiscal years, spending growth will be limited to:

- 4.2% in 2008-2009;
- 3.0% in 2009-2010.

GIVING PRIORITY TO THE GOVERNMENT'S MAIN MISSIONS

In 2008-2009 :

- health: an additional \$1.3 billion, or an increase of 5.5%;
- education: an additional \$612 million, or an increase of 4.6%;
- families and seniors: an additional \$101 million, or an increase of 5.5%.

REDUCING THE DEBT BURDEN

The portion of profits that Hydro-Québec pays out to the government as dividends is being increased from 50% to 75%.

- This will make it possible to avoid adding another \$11 billion to the government's debt between now and 2025.

"The budgets of the next two fiscal years will be balanced, without increasing income tax or taxes.

For the sake of transparency, this budget is accompanied by a five-year financial framework."

Monique Jérôme-Forget



