

BUDGET AT A GLANCE

BUDGET 2013-2014

UN
QUÉBEC
POUR TOUS

Québec 

MESSAGE FROM THE MINISTER



Hello,

Budget 2013-2014 will help put Québec back on the path charted by previous Parti québécois governments.

By remaining close to people and meeting the population's concrete needs, Parti québécois governments have improved the lives of all Quebecers.

By taking action to stimulate the economy, they have enriched us all.

By administering our public finances responsibly, they have preserved our ability to take collective action.

With this budget, we are taking concrete steps to bring relief to Québec families.

We are making tools available to businesses to improve their performance and make Québec more prosperous.

We are acting in a responsible manner to put our public finances in order.

The future of a prosperous Québec depends on sound public finances and a strong economy for the benefit of all.

Minister of Finance and the Economy,

Nicolas Marceau
Québec, November 20, 2012

A GOVERNMENT FOR ALL

1 A GOVERNMENT CLOSE TO FAMILIES

The government is bringing relief to families.

- Easing the financial burden for millions of Quebecers:
 - by introducing a new progressive health contribution;
 - by cancelling the 1 ¢/kWh increase in the price of heritage electricity;
 - by cancelling the hike in tuition fees;
 - by making it easier for children and young people to take part in physical, artistic and cultural activities.
 - Improving services by, for example, creating 28 000 new subsidized daycare spaces and building 3 000 new social housing units.
-

2 A GOVERNMENT THAT TAKES ACTION BY FOCUSING ON PRIVATE INVESTMENT

Private investment by businesses is the driving force of the economy.

- Fostering investment by creating conditions conducive to private investment through tax relief.
 - Supporting the creation and growth of businesses in Québec by creating the Banque de développement économique du Québec.
 - Supporting investment in cutting-edge sectors, particularly transportation and green technology development and the biopharmaceutical sector.
 - Developing our natural resources in a responsible manner.
-

3 A RESPONSIBLE GOVERNMENT

The government is acting responsibly and taking the actions necessary to achieve the targets set.

- Balancing the budget in 2013-2014 and keeping it balanced thereafter.
- Better management of spending, including infrastructure spending, so as to avoid cost overruns.
- Reducing the debt through new sources of revenue deposited in the Generations Fund.

A GOVERNMENT CLOSE TO FAMILIES

MEASURE 1

REDUCTION IN THE TAX BURDEN OF MILLIONS OF QUEBECERS

A new progressive, fair health contribution that better respects the ability of individuals to contribute to the funding of our health care will be introduced as of 2013.

- 4.4 million Quebecers, or over 2/3 of taxpayers, will not pay the health contribution or will see their tax burden decrease.
 - People who earn under \$18 000 will be exempt.
 - People who earn under \$42 000 will see their contribution reduced.

In addition, to continue funding the health system:

- the tax rate on income over \$100 000 will be raised by 1.75 percentage points.

MEASURE 2

CANCELLATION OF THE INCREASE IN THE PRICE OF HERITAGE ELECTRICITY

The increase of 20% in rates (1 ¢/kWh) is being cancelled.

- This rise would have resulted in an increase of \$408 a year in the cost of electricity for an average-sized house.

The new government's approach is more balanced and is limited to indexing the price of heritage electricity to the cost of living.

- The annual increase in the electricity bill of an average-sized household will be \$120.

OPPORTUNITY FOR ALL

3 000 SOCIAL,
COMMUNITY AND
AFFORDABLE
HOUSING UNITS WILL
BE BUILT.



ONE CHILD, ONE SPACE

The creation of 28 000 new reduced-contribution childcare spaces by 2016-2017 will make it possible to offer quality childcare to more children.

- The total number of reduced-contribution childcare spaces will reach 250 000.

MEASURE 3

DEVELOPMENT OF CHILDREN

A refundable tax credit for physical, artistic and cultural activities for young people aged 5 to 16 will be introduced gradually as of 2013.

- By 2017, 20% of eligible expenses, to a maximum of \$500, will be reimbursed.
- This tax credit of up to \$100 per child is intended for families with an income of under \$130 000.



AT TERM, THE CUMULATIVE EFFECT OF THESE THREE MEASURES WILL ENABLE A COUPLE WITH TWO CHILDREN AND AN INCOME OF \$70 000 TO SAVE \$688.

FOCUSING ON OUR CULTURE

The culture budget accounts for 1% of government program spending.

A UNIVERSITY SYSTEM ACCESSIBLE TO ALL

THE TUITION HIKE DECREED BY THE PREVIOUS GOVERNMENT HAS BEEN CANCELLED.

THE SOMMET SUR L'ENSEIGNEMENT SUPÉRIEUR, TO BE HELD IN 2013, WILL PROVIDE AN OPPORTUNITY FOR DISCUSSING ISSUES PERTAINING TO UNIVERSITIES AND THEIR FUNDING.



A GOVERNMENT THAT TAKES ACTION BY FOCUSING ON PRIVATE INVESTMENT



ENCOURAGING BUSINESSES TO INVEST

Private investment is the key to economic growth and a guarantee of prosperity.

- We are stepping up our efforts to create conditions conducive to private investment.

PRIVATE INVESTMENT:

- BOOSTS PRODUCTIVITY BY GIVING WORKERS THE MEANS TO BE MORE EFFICIENT AND PRODUCE AT LOWER COST;
- FOSTERS INNOVATION;
- ENABLES OUR BUSINESSES TO BE COMPETITIVE ON FOREIGN MARKETS;
- ACCELERATES ECONOMIC GROWTH AND RAISES OUR STANDARD OF LIVING.

ACTIONS TO ENCOURAGE BUSINESSES TO INVEST

A 10-year tax holiday to encourage businesses to invest in large investment projects in Québec is being introduced, the THI.

- It targets projects in strategic activity sectors.
- Thousands of jobs will be created.

The tax credit for investments is being extended until 2017 and enhanced for certain resource regions.

- These changes will enable 3 000 businesses, including 2 500 SMEs from all regions of Québec, to invest in cutting-edge manufacturing and processing equipment.
- These businesses will thus be able to boost their productivity.

CREATION OF THE BANQUE DE DÉVELOPPEMENT ÉCONOMIQUE DU QUÉBEC

The Banque de développement économique du Québec will generate leverage for all regions of Québec. It will manage:

- the regionalized development fund, which will have an annual budget of at least \$500 million for regional development initiatives;
- the two funds, totalling \$250 million, for supporting the Mauricie and Centre-du-Québec regions and the Asbestos region.

SECTOR-BASED ACTIONS

A \$200-million fund will be created for transportation electrification and green technology development.

Businesses in the biopharmaceutical sector will benefit from measures to foster their development and job creation in Québec.

- A \$125-million matching funding envelope over five years for financing promising research projects will be made available to these businesses.



LARGE
BIOPHARMACEUTICAL
COMPANIES WILL
BENEFIT FROM
IMPROVED
TAX CREDITS.

A RESPONSIBLE GOVERNMENT

BALANCED BUDGET IN 2013-2014 AND THEREAFTER

To achieve these objectives, the government is pursuing a balanced, three-pronged approach:

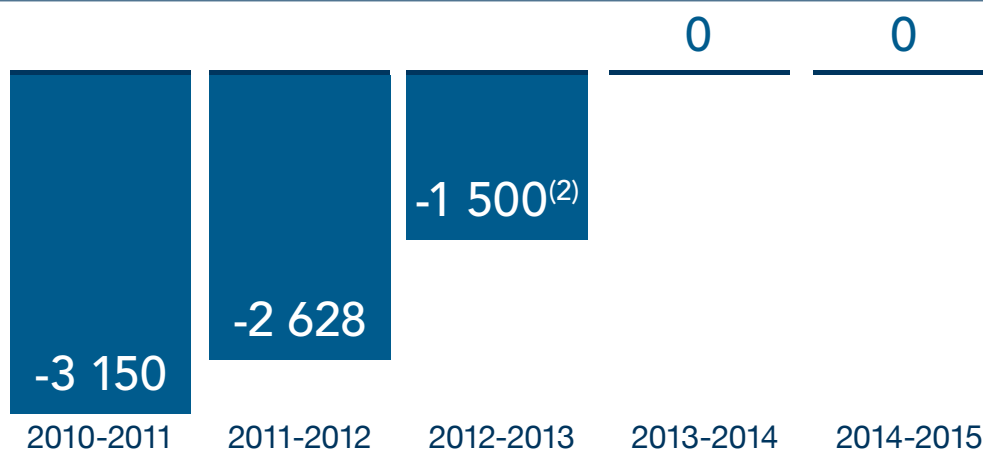
- strict control of spending;
- an additional effort regarding revenue;
- better management of infrastructure spending.



FUNDING ENSURED FOR THE GOVERNMENT'S MAIN MISSIONS

- 4.8% for health;
- 1.8% for education;
- 2.0% for higher education.

BUDGETARY BALANCE FROM 2010-2011 TO 2014-2015⁽¹⁾ (millions of dollars)



(1) Budgetary balance within the meaning of the *Balanced Budget Act*.

(2) For 2012-2013, the budgetary balance excludes the \$1.8-billion accounting impact of Hydro-Québec's extraordinary loss on the closure of the Gentilly-2 nuclear power plant. The ultimate impact will be established in Hydro-Québec's financial statements as at December 31, 2012.

STRICT CONTROL OF SPENDING

Savings will be achieved through tight control over spending. Efforts will have to be made by all government departments. Growth in program spending will be limited to 1.8% in 2013-2014 and to 2.4% in 2014-2015.

ADDITIONAL EFFORTS BY GOVERNMENT CORPORATIONS

- HYDRO-QUÉBEC, THE SOCIÉTÉ DES ALCOOLS DU QUÉBEC AND LOTO-QUÉBEC WILL HAVE TO CONTRIBUTE.
- HYDRO-QUÉBEC WILL HAVE TO INCREASE ITS NET EARNINGS BY IMPROVING ITS EFFICIENCY.
- THE AUDITOR GENERAL WILL BE ABLE TO CONDUCT AUDITS IN GOVERNMENT ENTERPRISES TO ENSURE THAT RESOURCES ARE BEING WELL UTILIZED.

AN ADDITIONAL EFFORT REGARDING REVENUE

- The specific tax on tobacco will be increased by 50¢ per pack or \$4 per carton of cigarettes.
- The specific tax on alcoholic beverages will increase depending on the product.
 - A bottle of beer will go up 3¢, a bottle of wine, 17¢ and a bottle of spirits, 26¢.
- The contribution of banks and other financial institutions will be raised and extended until March 31, 2019.

QUEBECERS WILL GET THEIR MONEY'S WORTH

- Bill 1 on integrity in public contracts is designed to restore healthy competition among businesses.
- Such competition should put downward pressure on the cost of work.
- Investments will be better prioritized and infrastructure projects conducted in a more orderly fashion.

IMPROVED MANAGEMENT OF INFRASTRUCTURE PROJECTS

Substantial investments in infrastructure in recent years are exerting pressure on government spending.

An independent study has revealed that:

- several projects were not part of the monitoring and management framework of the government's Québec Infrastructures Plan;
- major cost overruns were noted between the initial evaluation of projects and their implementation.

THE MANAGEMENT OF INFRASTRUCTURE INVESTMENTS WILL BE IMPROVED BY:

- INCLUDING ALL PROJECTS IN THE QUÉBEC INFRASTRUCTURES PLAN;
- EVALUATING THE GOVERNMENT'S ASSET STOCK;
- IMPROVING PROJECT PLANNING AND MANAGEMENT.

The average level of investment will be capped at \$9.5 billion a year, an amount that will make it possible to:

- maintain the quality of infrastructure;
- respect Quebecers' ability to pay;
- reduce the debt load.



DEBT REDUCTION PLAN

The government is maintaining its objective of reducing the gross debt to 45% of GDP and that of reducing the debt representing accumulated deficits to 17% of GDP in 2026.

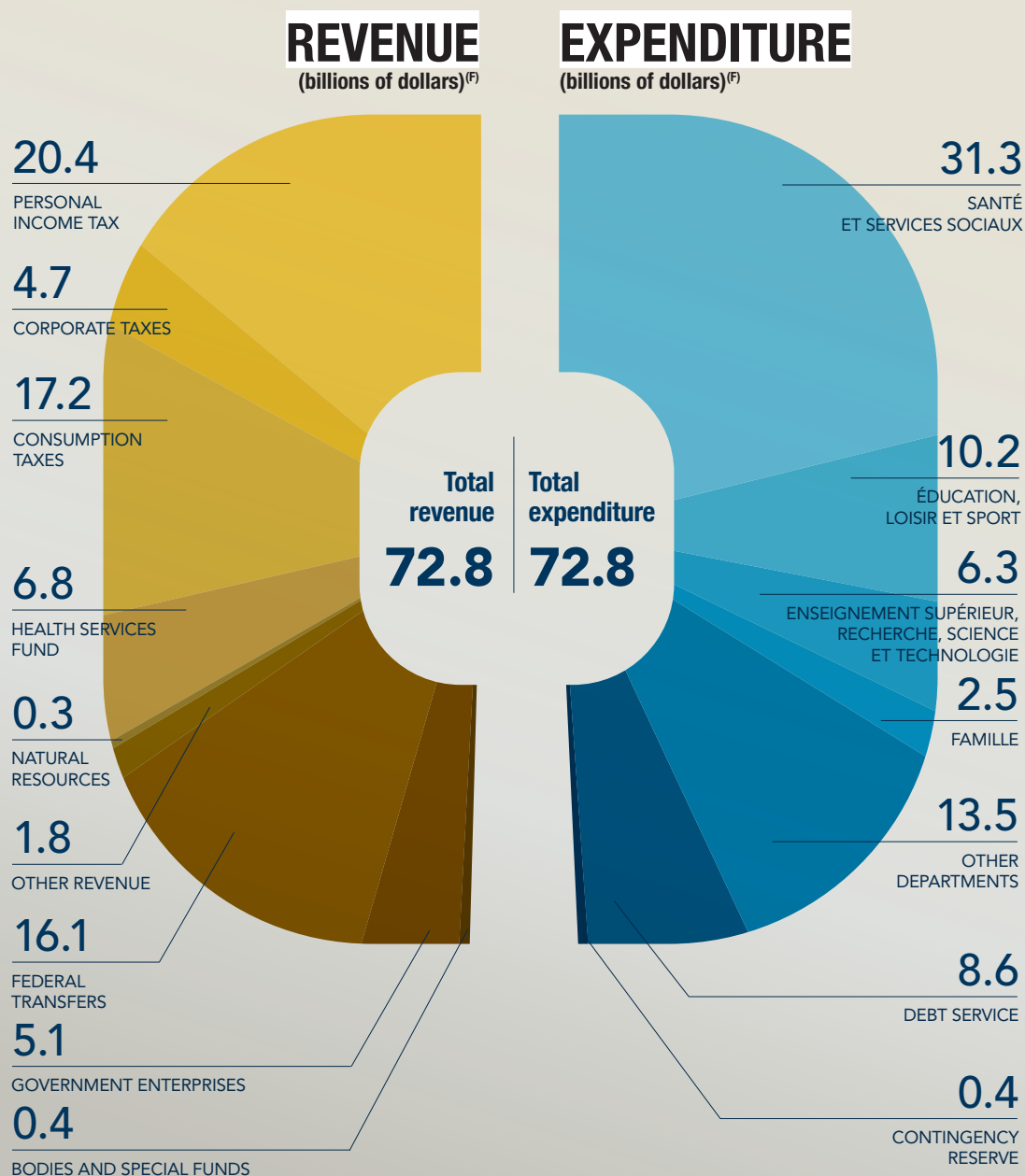
It is adopting a balanced debt reduction approach. New diversified sources of revenue will go into the Generations Fund:

- the increase in Hydro-Québec's net earnings due to the savings derived from the abandonment of the project to refurbish the Gentilly-2 nuclear power plant;
- revenue from the increase in the specific tax on alcoholic beverages as of 2014-2015;
- revenue from the indexation of the price of heritage electricity starting in 2014;
- all mining royalties as of 2015-2016.

**AN AMOUNT OF
\$1 BILLION WILL BE
DRAWN FROM THE
GENERATIONS FUND
TO REPAY THE DEBT
IN 2013-2014.**



BALANCED BUDGET 2013-2014



F : Forecasts.

Finances
et Économie

Québec

