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ADDITIONAL  
INFORMATION  
2017-2018

# THE QUÉBEC **ECONOMIC PLAN**



Budget 2017-2018  
Additional Information 2017-2018

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# Section A

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# 1. MEASURES CONCERNING INDIVIDUALS

## 1.1 Elimination as of 2016 of the health contribution for low- and middle-income taxpayers

Under the *Act respecting the Régie de l'assurance maladie du Québec*, an adult resident in Québec at the end of 2016, other than an exempt individual, must pay as a health contribution for that year:

- where the adult's income for the year is greater than \$18 570 but does not exceed \$41 265, an amount equal to the lesser of \$50 or 5% of the amount by which the adult's income for the year exceeds \$18 570;
- where the adult's income for the year is greater than \$41 265 but does not exceed \$134 095, an amount equal to the lesser of \$175 and the aggregate of \$50 and 5% of the amount by which the adult's income for the year exceeds \$41 265;
- where the adult's income for the year is greater than \$134 095, an amount equal to the lesser of \$1 000 and the aggregate of \$175 and 4% of the amount by which the adult's income for the year exceeds \$134 095.

The year 2016 was to have been the last year for which a health contribution was payable, the government having announced in its October 2016 update of the Québec Economic Plan that the contribution would be eliminated as of 2017, to ease the tax burden on individuals.

To further reduce the tax burden on low- and middle-income individuals, the health contribution will be eliminated retroactively, as of 2016, for all adults whose income for that year does not exceed \$134 095.

Adults whose income for 2016 was greater than \$134 095, other than exempt individuals, must pay for that year a health contribution equal to the lesser of \$1 000 or 4% of the amount by which their income for the year exceeds \$134 095.

The table below illustrates the retroactive changes to the calculation of the health contribution for 2016.

TABLE A.1

### New terms for calculating the health contribution for 2016 (dollars)

Adult's income		Health contribution	
Greater than	Without exceeding	2016 before budget	2016 after budget
—	18 570.00	—	—
18 570.00	41 265.00	0.01 to 50.00	—
41 265.00	134 095.00	50.01 to 175.00	—
134 095.00	—	175.01 to 1 000.00	0.01 to 1 000.00

Revenu Québec will be responsible for cancelling the health contribution amount that was payable by individuals with an income not exceeding \$134 095 for 2016, and for recalculating the amount to be paid by individuals with an income greater than \$134 095 for that year.

In addition, a new notice of assessment for 2016 will be sent, not later than June 30, 2017, to all taxpayers in respect of whom Revenu Québec has already determined, on the date of the budget speech, the amount of the health contribution payable for the year.

## **1.2 General tax reduction and simplification of the calculation of personal tax credits**

After honouring its commitment to eliminate the health contribution, the government is continuing its goal of easing the tax burden on all Quebecers, by granting a general tax reduction of over \$270 million per year as of the 2017 taxation year.

This general tax reduction will be in the form of an increase of the basic tax credit granted to all individuals, other than trusts.

The basic tax credit, which is a non-refundable tax credit, reduces or, in some cases, eliminates the income tax payable by individuals on their taxable income under the personal income tax table. This tax relief contributes to the fairness of the tax system, by ensuring that no tax is payable by individuals before their income exceeds a certain threshold.

Currently, the basic tax credit enables individuals to reduce their income tax payable by \$2 327.<sup>1</sup> It follows that the threshold above which income tax would generally become payable in Québec for the 2017 taxation year—commonly known as the “zero-tax threshold”—corresponds to taxable income of \$14 544.

The general tax reduction announced in this budget will raise the zero-tax threshold from \$14 544 to \$14 890 as of the 2017 taxation year. As a result of this higher zero-tax threshold, individuals will be able to deduct from their income tax payable an additional amount of slightly over \$55.

For the 2017 taxation year, this tax reduction will be applied when individuals file their income tax returns.

As of the 2018 taxation year, it will be factored into the income tax to be deducted at source from wages and certain other amounts, such as retirement benefits.

However, individuals who are required to pay their income tax in instalments may adjust, in accordance with the usual rules, any instalment payment due after March 15, 2017, in order to take into account the general tax reduction.

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<sup>1</sup> Any unused portion of the basic tax credit granted to an individual may be transferred to the individual's spouse.



The table below shows the impact of the general tax reduction on the zero-tax threshold for the 2017 taxation year.

TABLE A.2

**Illustration of the impact of the general tax reduction on the zero-tax threshold for the 2017 taxation year**  
(dollars)

	<b>Before Budget 2017-2018</b>	<b>General tax reduction</b>	<b>After Budget 2017-2018</b>
Tax reduction granted through the basic tax credit	2 327 <sup>(1)</sup>	55 <sup>(2)</sup>	<b>2 382<sup>(2)</sup></b>
Zero-tax threshold	14 544 <sup>(2),(3)</sup>	346 <sup>(2)</sup>	<b>14 890</b>

(1) The tax reduction granted through the basic tax credit is equal to the product obtained by multiplying the amount granted for the purpose of calculating the basic tax credit (\$11 635) by a conversion rate of 20% corresponding to the rate applicable to the second taxable income bracket of the personal income tax table.

(2) The result is rounded to the nearest dollar.

(3) The zero-tax threshold corresponds to the amount obtained by dividing the amount of the tax reduction granted through the basic tax credit by the rate applicable to the first taxable income bracket of the personal income tax table (16%).

Currently, the Québec tax system is the only tax system in Canada that uses the rate applicable to the second taxable income bracket of its tax table<sup>2</sup> to calculate personal tax credits, instead of using, like all tax systems put in place by the other Canadian provinces and the federal government, the rate applicable to the first taxable income bracket of its tax table.<sup>3</sup>

Using the rate applicable to the second taxable income bracket of the personal income tax table makes the Québec tax system more complex for taxpayers, since a factor of 1.25 must be applied to each amount granted for the purpose of calculating personal tax credits, in order to determine the taxable income to which it corresponds.

To make it easier for the public to understand the basic rules of the Québec tax system, amendments will therefore be made to the tax legislation so that personal tax credits are calculated according to the rate applicable to the first taxable income bracket of the personal income tax table—16%—with no reduction in the value of the personal tax credits.

Thus, taking into account the general tax reduction, the amount used to calculate the basic tax credit will be raised from \$11 635 to \$14 890 as of the 2017 taxation year.

In addition, each of the amounts granted for the purpose of calculating the other personal tax credits will be increased so that it represents, to the nearest upper dollar, 125% of the amount that would have been applicable for the 2017 taxation year.

<sup>2</sup> This rate is 20%.

<sup>3</sup> This rate is 16%.

The table below shows the amounts that will be granted for the 2017 taxation year for the purpose of calculating the various personal tax credits.

TABLE A.3

**Change in the amounts granted for the purpose of calculating personal tax credits for the 2017 taxation year**  
(dollars)

	20% conversion rate before budget		16% conversion rate after budget	
	Amount granted	Tax reduction	Amount granted	Tax reduction
Basic amount	11 635	2 327	14 890 <sup>(1)</sup>	2 382 <sup>(1),(2)</sup>
Amount for persons living alone				
– Basic amount	1 365 <sup>(3)</sup>	273 <sup>(4)</sup>	1 707 <sup>(3)</sup>	273 <sup>(2),(4)</sup>
– Supplement for single-parent families	1 685 <sup>(3)</sup>	337 <sup>(4)</sup>	2 107 <sup>(3)</sup>	337 <sup>(2),(4)</sup>
Amount with respect to age	2 505 <sup>(3)</sup>	501 <sup>(4)</sup>	3 132 <sup>(3)</sup>	501 <sup>(2),(4)</sup>
Amount for retirement income	2 225 <sup>(3)</sup>	445 <sup>(4)</sup>	2 782 <sup>(3)</sup>	445 <sup>(2),(4)</sup>
Amount for severe and prolonged impairment in mental or physical functions	2 645	529	3 307	529 <sup>(2)</sup>
Amount for minor children engaged in vocational training or post-secondary studies – per term	2 145 <sup>(3)</sup>	429 <sup>(4)</sup>	2 682 <sup>(3)</sup>	429 <sup>(2),(4)</sup>
Amount for other dependants	3 125 <sup>(3)</sup>	625 <sup>(4)</sup>	3 907 <sup>(3)</sup>	625 <sup>(2),(4)</sup>
Transfer of the recognized parental contribution				
– Maximum amount	7 665	1 533 <sup>(4)</sup>	9 582	1 533 <sup>(2),(4)</sup>
– Reduction when a single term of study has been completed	2 145	429	2 682	429 <sup>(2)</sup>

(1) Taking into account the general tax reduction.

(2) The result is rounded to the nearest dollar.

(3) In certain cases, the amount granted may be reduced on the basis of income.

(4) The amount indicated is the maximum tax reduction.

For greater clarity, eligible medical expenses, eligible expenses to obtain medical care not provided in the region where an individual lives, and interest paid on a student loan will continue to be converted into a tax credit at the rate of 20%. The same is true of the first \$200 in gifts included in the calculation of the tax credit for gifts.

As of the 2018 taxation year, each of the amounts granted for the purpose of calculating personal tax credits will be automatically indexed each year.

As with the indexation of the main parameters of the personal income tax system, the index to be used with respect to personal tax credits will correspond to the percentage change in the overall average Québec consumer price index without alcoholic beverages and tobacco products (QCPI-WAT) for the 12-month period ending on September 30 of the year preceding the one for which an amount is to be indexed, compared to the average QCPI-WAT for the 12 month period ended on September 30 of the year prior to the year preceding the one for which an amount is to be indexed.

This index will be applied, for a particular year, to the previous year's value of the amount subject to indexation. For greater clarity, where the result obtained by applying the index is not a multiple of 1, it will be adjusted to the nearest multiple of 1 or, if it is equidistant from two multiples of 1, to the nearest higher multiple of 1.

Moreover, changes will be made to the terms of calculation of certain personal tax credits so that there is no tax impact further to the reduction of the applicable conversion rate from 20% to 16%.

## **□ Terms of calculation of certain personal tax credits**

### **■ Tax credit for persons living alone, with respect to age and for retirement income**

For the purpose of calculating the tax credit for persons living alone, with respect to age and for retirement income, the amounts granted to an individual for a year for each component of this tax credit are added to the corresponding amounts granted, if applicable, to the individual's spouse. The aggregate of these amounts is reduced by 15% for each dollar of household income that exceeds the applicable reduction threshold for the year, before being converted into a non-refundable tax credit that may be split between the spouses.

Two changes will be made to the terms of calculation of this tax credit as of the 2017 taxation year. First, for the purposes of the retirement income component of the tax credit, the aggregate of the amounts, each of which represents eligible retirement income of an individual, must be raised by 25%<sup>4</sup> and, second, the reduction rate based on household income will increase from 15% to 18.75%.

### **■ Tax credits for dependants**

For the purpose of calculating the tax credit for minor children engaged in vocational training or post-secondary studies and the tax credit for other dependants, the income of the dependant must be taken into account.

More specifically, the amount granted for a year in respect of a dependant must be reduced by an amount equal to 80% of the dependant's income for the year calculated without taking into account an amount received as a scholarship, fellowship or bursary, or a prize for achievement in a field of endeavour ordinarily carried on by the dependant or the deduction for residents of remote areas.

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<sup>4</sup> Thus, for the 2017 taxation year, the amount for retirement income that may be taken into account in respect of an individual will be equal to the lesser of \$2 782 and the product obtained by multiplying 1.25 by the amount corresponding to the aggregate of the individual's eligible retirement income for the year.

The correction factor applied to a dependant's income is 80% because of the difference between the rate applicable to the first taxable income bracket of the tax table—the rate at which the dependant's income would be taxed if the dependant had income tax payable—and the conversion rate used to calculate the tax credit claimed in respect of the dependant. Without this correction factor, the dependant's income would be indirectly taxed at a rate of 20% when included in the calculation of the tax credit claimed in respect of the dependant.

To take into account the fact that the rate at which the amount for minor children engaged in vocational training or post-secondary studies and the amount for other dependants are converted into tax credits will drop from 20% to 16%, the correction factor respecting a dependant's income will be removed as of the 2017 taxation year.

### ■ **Adjustment of the basic tax credit following receipt of an income replacement indemnity**

To mitigate the unfairness associated with receiving certain income replacement benefits paid under a public compensation plan,<sup>5</sup> beneficiaries of such benefits must adjust their income tax payable to reflect the fact that part of the basic tax credit is taken into consideration both in the method of determination of the benefits and in the calculation of tax income payable on their other income.

In general, benefits giving rise to such an adjustment are those that, according to the terms of the public compensation plan under which they are paid, consist of an income replacement indemnity or compensation for the loss of financial support and are established on the basis of net income.

Currently, an individual who receives covered benefits for a particular year must reduce the amount granted to him or her for the year for the purpose of calculating the basic tax credit, by an amount equal to the aggregate of the amounts each of which represents the adjustment calculated regarding the benefits, provided the benefits were determined in that year.

Where the covered benefits attributable to a particular year are determined after the end of that year, and where this determination, if it had been done in the particular year, would have resulted in a reduction of the amount granted to the individual for the purpose of calculating the individual's basic tax credit for that year or in a change in the value of the reduction, the individual must adjust his or her income tax payable for the year in which the determination was made.

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<sup>5</sup> A public compensation plan essentially means a plan established under a law of Québec or of another jurisdiction, or a regulation under such a law, that provides for the payment of benefits following an accident, employment injury, bodily injury or death or in order to prevent bodily injury, other than the *Act respecting the Québec Pension Plan* or any other law establishing a plan equivalent to that established under that Act. The plans provided for by the *Act respecting industrial accidents and occupational diseases*, the *Automobile Insurance Act* and the *Crime Victims Compensation Act* are all examples of public compensation plans.

The adjustment relating to covered benefits is calculated using various formulas provided for in the tax legislation. These formulas vary depending on whether covered benefits are determined by the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST), the Société de l'assurance automobile du Québec (SAAQ) or a body outside Québec responsible for administering a public compensation plan.<sup>6</sup>

In all cases where covered benefits are determined by the CNESST or the SAAQ, these bodies are responsible for calculating, on behalf of the beneficiary, the adjustment relating to the benefits.

However, where covered benefits are determined by another body, the beneficiary must calculate the related adjustment.

To take into account the changes to the amount used to calculate the basic tax credit and to the rate for converting that amount into a tax credit, changes will be made to the various methods of calculating an adjustment relating to covered benefits.

- **Covered benefits determined by the CNESST**
- ***Covered benefits attributable to the 2017 taxation year***

In the case of a covered benefit determined by the CNESST and attributable to the 2017 taxation year, no change will be made to the formulas set forth in the tax legislation to calculate the adjustment relating to such a benefit. However, the amount of the adjustment thus calculated must be increased by 25%.

This correction factor takes into account the fact that any covered benefit paid by an employer or the CNESST for the 2017 taxation year must be determined as if \$11 635 remained the amount used to calculate the basic tax credit for the year and 20% continued to be the rate for converting that amount into a tax credit.

- ***Covered benefits attributable to a taxation year subsequent to the 2017 taxation year***

The adjustment regarding a covered benefit determined by the CNESST that is attributable to a particular taxation year subsequent to the 2017 taxation year will be equal to the aggregate of the following amounts:

- in respect of a covered benefit attributable to the year and paid by an employer for the first 14 full days following the beginning of the disability, the lesser of the following amounts:
  - the total of the covered benefits attributable to the year and paid by the employer for the first 14 full days following the beginning of the disability,
  - the amount established by the following formula:

$$0.90 \times A / B \times C;$$

<sup>6</sup> For example, the Ontario Workplace Safety and Insurance Board or the Workplace Health, Safety and Compensation Commission of New Brunswick (WorkSafe NB).

— in respect of a covered benefit attributable to the year, other than a benefit paid by an employer for the first 14 full days following the beginning of a disability, for each day of the year for which the covered benefit is determined (“particular day”), the lesser of the amounts established for the particular day by the following formulas:

—  $[(0.90 \times D / E) - (F / E)] \times (1 - G),$

—  $[(0.90 \times H / E) - I] \times (1 - G).$

For the purposes of these formulas:

- A is the basic amount used, for the year, for the purpose of calculating source deductions of income tax;
- B is the number of days in the year, excluding Saturdays and Sundays;
- C is the number of days in the year, excluding Saturdays and Sundays, between the day on which the disability begins and the day of the return to work, but without exceeding 14 days;
- D is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the *Act respecting the Québec Pension Plan*, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;
- E is the number of days in the year;
- F is the annual gross revenue from a suitable employment or employment held, for the particular day;
- G is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;
- H is the amount used to calculate the basic tax credit for the year, to the extent that the amount is used by the CNESST to establish the weighted net income for the purpose of calculating, for the particular day, the covered benefit attributable to the year;
- I is the lesser of the following amounts:
  - the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year,
  - the amount obtained by dividing, by the number of days in the year, the amount used to calculate the basic tax credit for the year, to the extent that the amount is used by the CNESST to establish, for the particular day, the weighted net income from a suitable employment or employment held.

- **Covered benefits determined by the SAAQ**
- ***Covered benefits attributable to the 2017 taxation year***

In the case of a covered benefit determined by the SAAQ and attributable to the 2017 taxation year, no change will be made to the formulas set forth in the tax legislation to calculate the adjustment relating to such a benefit. However, the amount of the adjustment thus calculated must be increased by 25%.

This correction factor takes into account the fact that any covered benefit paid by the SAAQ for the 2017 taxation year must be determined as if \$11 635 remained the amount used to calculate the basic tax credit for the year and 20% continued to be the rate for converting that amount into a tax credit.

- ***Covered benefits attributable to a taxation year subsequent to the 2017 taxation year***

The adjustment regarding a covered benefit determined by the SAAQ that is attributable to a particular taxation year subsequent to the 2017 taxation year will be equal to the aggregate of the amounts each of which is, for each day of the year for which the covered benefit is determined ("particular day"), equal to the lesser of the amounts established for the particular day by the following formulas:

$$\text{— } \{[(0.90 \times A / B) - (C \times D / B)] \times (1 - E)\} - F / B;$$

$$\text{— } \{[(0.90 \times G / B) - (C \times H)] \times (1 - E)\} - F / B.$$

For the purposes of these formulas:

- A is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with section 119 of the *Act respecting the Québec Pension Plan*, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;
- B is the number of days in the year;
- C is:
  - if only part of the net income from an employment held is used to reduce, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that net income,
  - in any other case, 100%;
- D is the annual gross revenue from a suitable employment or employment held, for the particular day;
- E is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;

- F is the amount that is payable for the year as an old age pension or as a disability benefit payable under a plan established by a jurisdiction, other than Québec, that is equivalent to the plan established under the *Act respecting the Québec Pension Plan*, and that is, in determining, for the particular day, the covered benefit attributable to the year, used by the SAAQ to reduce the amount of that covered benefit;
- G is the amount used to calculate the basic tax credit for the year, to the extent that the amount is used by the SAAQ to establish the weighted net income for the purpose of calculating, for the particular day, the covered benefit attributable to the year;
- H is the lesser of the following amounts:
  - the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year,
  - the amount obtained by dividing, by the number of days in the year, the amount used to calculate the basic tax credit for the year, to the extent that the amount is used by the SAAQ to establish, for the particular day, the weighted net income from a suitable employment or employment held.
- **Covered benefits determined by a body other than the CNESST or the SAAQ**

The adjustment regarding a covered benefit determined by a body, other than the CNESST or the SAAQ, that is attributable to a particular taxation year subsequent to the 2016 taxation year will be equal to the aggregate of the amounts each of which is, for each day of the year for which the covered benefit is determined (“particular day”), equal to the lesser of the amounts established for the particular day by the following formulas:

- $\{[(A \times B / C) - (D \times E / C)] \times (1 - F)\} - G / C$ ;
- $\{[(A \times H / C) - I] \times (1 - F)\} - G / C$ .

For the purposes of these formulas:

- A is the percentage that applies to the income insured by the public compensation plan for the purpose of determining, for the particular day, the covered benefit attributable to the year;
- B is the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, or, if the covered benefit attributable to the year is adjusted in accordance with the public compensation plan, the amount that would be the annual gross revenue used as a basis for determining, for the particular day, the covered benefit attributable to the year, if it were adjusted according to the same rules as those applicable to the covered benefit;
- C is the number of days in the year;



- D is:
  - if only a portion of the income, other than the recognized income on the date of the event giving rise to the covered benefit attributable to the year, is taken into consideration for the purpose of determining, for the particular day, the covered benefit attributable to the year, the percentage attributed under the public compensation plan in respect of that income,
  - in any other case, 100%;
- E is the annual gross revenue from a suitable employment or employment held, for the particular day;
- F is the percentage that applies for the purpose of reducing, for the particular day, the covered benefit attributable to the year;
- G is the amount that is, in determining, for the particular day, the covered benefit attributable to the year, used to reduce the amount of that covered benefit;
- H is the amount used to calculate the basic tax credit for the year, unless the year is the 2017 taxation year, in which case it is \$14 544;
- I is the amount obtained by multiplying, by the percentage applicable for the year according to D, the lesser of the following amounts:
  - the amount obtained by dividing the annual gross revenue from a suitable employment or employment held, for the particular day, by the number of days in the year,
  - the amount obtained by dividing, by the number of days in the year, the amount used to calculate the basic tax credit for the year, or, if the year is the 2017 taxation year, \$14 544.

## **□ Clarifications concerning source deductions of income tax**

For the 2017 taxation year, income tax must be deducted at source as if the amounts used to calculate personal tax credits had not been increased and the rate applicable to the first taxable income bracket of the personal income tax table had not been retained as the rate for converting these amounts into tax credits.

For greater clarity, amendments will be made to the tax legislation and regulations to confirm this procedure.

In addition, the tax legislation and regulations will be amended, for the purpose of determining source deductions of income tax for a taxation year subsequent to the 2017 taxation year, in order to give full effect to the general tax reduction and the simplified calculation of personal tax credits.

## ❑ Consequential amendments

### ■ Presumption of residence

For the purposes of the tax system, individuals who are not resident in Québec at the end of a particular taxation year are nonetheless deemed, in certain circumstances, to have been resident in Québec throughout the year.

Currently, the tax legislation states that the child of an individual who is deemed to be resident in Québec because of his or her duties is also deemed to be resident in Québec, provided the child is the individual's dependant and the child's income for the year does not exceed a certain threshold.

For the purposes of this presumption, the limit on the child's income for a taxation year subsequent to the 2016 taxation year will be established on the basis of \$9 582, which will be automatically indexed each year as of January 1, 2018.<sup>7</sup>

### ■ Refundable tax credit for childcare expenses

Childcare expenses paid in respect of an eligible child with a view to, in particular, enabling an individual or the individual's spouse to work, pursue studies or actively seek employment may be converted into a refundable tax credit at a rate established on the basis of family income.

For the purposes of this tax credit, the definition of "eligible child" will be amended, as of the 2017 taxation year, to state that an eligible child of an individual for a taxation year means a child of the individual or the individual's spouse, or a child who is a dependant of the individual or the individual's spouse and whose income for the year does not exceed \$9 582, if, in any case, at any time during the year, the child is under 16 years of age or is dependent on the individual or the individual's spouse and has a mental or physical infirmity.

For greater clarity, the amount of \$9 582 will be automatically indexed each year as of January 1, 2018.<sup>8</sup>

## 1.3 Extension to March 31, 2018 of the eligibility period under the RénoVert tax credit

To stimulate the economy by supporting jobs in the home renovation sector and promote sustainable development, a refundable tax credit for carrying out eco-friendly home renovations, the RénoVert tax credit, was introduced on a temporary basis following the presentation of the Québec Economic Plan of March 2016.

Capped at \$10 000 per eligible dwelling, financial assistance under the RénoVert tax credit corresponds to 20% of the portion, in excess of \$2 500, of qualified expenditures paid by an individual to have a qualified contractor carry out recognized eco-friendly renovation work on the individual's principal place of residence or a cottage suitable for year-round occupancy that is normally occupied by the individual.

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<sup>7</sup> This amount will be automatically indexed each year according to the same rules as those applicable to the indexation of the amounts used to calculate personal tax credits.

<sup>8</sup> See the preceding note.

Financial assistance under this tax credit may be combined, depending on the nature of the work, with that offered for energy-efficient home renovations under the Rénoclimat program<sup>9</sup> administered by the Ministère de l'Énergie et des Ressources naturelles.

Recognized eco-friendly renovation work for the purposes of the RénoVert tax credit consists mostly of measures to decarbonize the residential sector. Briefly, such work pertains to insulation, sealing, installation of ENERGY STAR qualified doors or windows, and heating, air conditioning, water heating and ventilation systems, as well as to water and soil quality, provided the work has a positive energy or environmental impact and meets the attendant standards.

However, only expenditures attributable to the carrying out of recognized eco-friendly renovation work stipulated in an agreement entered into after March 17, 2016 and before April 1, 2017 with a qualified contractor having an establishment in Québec may be included in the calculation of qualified expenditures under the RénoVert tax credit.

To spur more households to adopt eco-friendly behaviour in their home renovation projects, and to encourage households whose qualified expenditures have not yet reached \$52 500 to undertake other eco-friendly renovation work, the period during which a renovation agreement may be entered into with a qualified contractor for the purposes of the RénoVert tax credit will be extended by one year, to March 31, 2018.

Renovation agreements entered into after March 31, 2017 and before April 1, 2018 may relate to all eco-friendly renovation work currently recognized for the purposes of the RénoVert tax credit, with the exception of the construction, renovation, modification or rebuilding of a system for the discharge, collection and disposal of waste water, toilet effluents or grey water, since a new refundable tax credit<sup>10</sup> will apply to such work as of April 1, 2017.

To take into account the fact that, in respect of a particular eligible dwelling, the RénoVert tax credit will pertain to expenditures attributable to the carrying out of eco-friendly renovation work stipulated in an agreement entered into after March 17, 2016 and before April 1, 2018, the tax legislation will be amended to specify the terms and conditions of the tax credit regarding expenditures paid after December 31, 2016.

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<sup>9</sup> The normative framework of this program is available at [www.efficaciteenergetique.gouv.qc.ca/en/my-home/renoclimat](http://www.efficaciteenergetique.gouv.qc.ca/en/my-home/renoclimat).

<sup>10</sup> This tax credit is described in subsection 1.4.

More specifically, an individual who is resident in Québec at the end of December 31 of a particular taxation year<sup>11</sup> that is the 2017 taxation year or the 2018 taxation year may claim, for that year, the Rénovert tax credit in relation to a particular eligible dwelling owned by the individual, in an amount equal to:

- where the particular taxation year is the 2017 taxation year, the lesser of the following amounts:
  - 20% of the amount by which the individual's qualified expenditure for the year in relation to the eligible dwelling exceeds the amount by which \$2 500 exceeds the individual's qualified expenditure for the 2016 taxation year in relation to the eligible dwelling,
  - the amount by which \$10 000 exceeds the aggregate of the amounts each of which is an amount that, in relation to the eligible dwelling, was obtained for the purposes of the RénoVert tax credit for the 2016 taxation year by the individual or by any other person with whom the individual owned the dwelling;
- where the particular taxation year is the 2018 taxation year, the lesser of the following amounts:
  - 20% of the amount by which the individual's qualified expenditure for the year in relation to the eligible dwelling exceeds the amount by which \$2 500 exceeds the aggregate of the amounts each of which is the individual's qualified expenditure in relation to the eligible dwelling for the 2016 and 2017 taxation years,
  - the amount by which \$10 000 exceeds the aggregate of the amounts each of which is an amount that, in relation to the eligible dwelling, was obtained for the purposes of the RénoVert tax credit for the 2016 and 2017 taxation years by the individual or by any other person with whom the individual owned the dwelling.

Where more than one individual is entitled to the RénoVert tax credit for work carried out in respect of the same eligible dwelling jointly owned by the individuals, the total of the amounts indicated by each of them in their tax return must not exceed the amount that would be allowed if, in the case where the individuals became owners of the eligible dwelling at the same time, only one of them was entitled to the tax credit for the year and if, in any other case, only the individual with the older title of ownership, or one such individual if many of them hold such a title, was entitled to the tax credit for the year. If there is no agreement among the individuals, the Minister will determine the amount that each of them may claim.

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<sup>11</sup> For greater clarity, an individual who dies or ceases to be resident in Canada in a particular taxation year will be deemed to be resident in Québec at the end of December 31 of that year, if the individual was resident in Québec immediately before dying or on the last day the individual was resident in Canada, as the case may be.

For the purpose of calculating the tax credit, an individual's qualified expenditure for a particular taxation year in relation to a particular eligible dwelling of the individual will be equal to the aggregate of the amounts each of which is an expenditure, other than an excluded expenditure, that is attributable to the carrying out of recognized eco-friendly renovation work provided for in a renovation agreement in relation to the dwelling and that is paid, in relation to the eligible dwelling, by the individual or the individual's legal representative, or by a person who is the individual's spouse at the time the payment is made, or by any other individual who, at the time the expenditure is incurred, owns the eligible dwelling, in one of the following periods:

- after March 17, 2016 and before January 1, 2017, where the particular year is the 2016 taxation year;
- after December 31, 2016 and before January 1, 2018, where the particular year is the 2017 taxation year;
- after December 31, 2017 and before January 1, 2019, where the particular year is the 2018 taxation year.

For greater clarity, the other terms and conditions of the RénoVert tax credit will remain unchanged.

## **1.4 Introduction of a temporary refundable tax credit for the upgrading of residential waste water treatment systems**

Waste water from isolated dwellings poses significant risks to human health and the environment if it is not properly treated before being released into the environment.

Since this water contains contaminants, coming into direct contact with the contaminants or ingesting them can cause people to become sick. These contaminants can also alter the water quality of lakes and waterways, as well as the health of aquatic life.

To prevent these risks, the *Regulation respecting waste water disposal systems for isolated dwellings* has regulated, for over 35 years, the design, construction and operation of waste water treatment systems of residences that are not connected to a sewer system.

To financially assist owners who must undertake work to upgrade their septic systems, a new refundable tax credit for the upgrading of residential waste water treatment systems will be introduced temporarily.

Briefly, the financial assistance under this tax credit, which may reach \$5 500 per eligible dwelling, will correspond to 20% of the portion, in excess of \$2 500, of qualified expenditures paid by an individual to have recognized work carried out to upgrade the waste water treatment system of the individual's principal residence or the individual's cottage.

This tax credit will apply to individuals who have a qualified contractor carry out such work under a service agreement entered into after March 31, 2017 and before April 1, 2022.

## ❑ Determination of the tax credit

An individual, other than a trust, who is resident in Québec at the end of December 31 of a particular taxation year preceding the 2023 taxation year may claim, for that year, a refundable tax credit for recognized work in relation to a particular eligible dwelling owned by the individual, in an amount equal to:

- where the particular taxation year is the 2017 taxation year, the lesser of \$5 500 and 20% of the amount by which the aggregate of the individual's qualified expenditures for the year in relation to the eligible dwelling exceeds \$2 500;
- where the particular taxation year is subsequent to the 2017 taxation year and precedes the 2023 taxation year, the lesser of the following amounts:
  - 20% of the amount by which the aggregate of the individual's qualified expenditures for the year in relation to the eligible dwelling exceeds the amount by which \$2 500 exceeds the aggregate of the individual's qualified expenditures in relation to the eligible dwelling for any taxation year subsequent to 2016 and preceding the particular year,
  - the amount by which \$5 500 exceeds the aggregate of the amounts that, in relation to the eligible dwelling, were obtained for the purposes of the tax credit, for any taxation year preceding the particular year, by the individual or by any other person with whom the individual owned the eligible dwelling.

However, if an individual's eligible dwelling is located in an immovable under divided co-ownership, the amounts of \$2 500 and \$5 500 used to calculate the tax credit for a particular taxation year must be reduced to the portion of these amounts that is the individual's share of the common expenses of the immovable.

Similarly, where an individual owns an immovable containing more than one dwelling, the amounts of \$2 500 and \$5 500 used to calculate the tax credit in relation to an eligible dwelling of the individual must be reduced to the portion of these amounts represented by the ratio between the area of the individual's eligible dwelling and total habitable area of the immovable.

For greater clarity, for the purposes of the tax credit, an individual who dies or ceases to be resident in Canada in a particular taxation year will be deemed to be resident in Québec at the end of December 31 of that year, if the individual was resident in Québec immediately before dying or on the last day the individual was resident in Canada, as the case may be.

To claim the tax credit for a particular taxation year, an individual must enclose, with his or her tax return for the year, an information return, using the prescribed form, indicating, among other things, the description of the work carried out, its cost, the registration number assigned under the *Act respecting the Québec sales tax* to the contractor having carried out the work or, if there is no such number, the contractor's business number or social insurance number and, if applicable, the licence number issued to the contractor by the Régie du bâtiment du Québec.

Supporting documents (bid, invoices, etc.) must be kept for the purpose of subsequent verifications by Revenu Québec, in accordance with the rules for preserving supporting documents concerning tax relief, established by the *Tax Administration Act*.<sup>12</sup>

Moreover, where more than one individual may claim the tax credit for work carried out in relation to the same eligible dwelling that they jointly own, the total of the amounts indicated by each of them in their tax return must not exceed the amount that would be allowed if, in the case where the individuals became owners of the eligible dwelling at the same time, only one of them was entitled to the tax credit for the year and if, in any other case, only the individual with the older title of ownership, or one such individual if many of them hold such a title, was entitled to the tax credit for the year. If there is no agreement among the individuals, the Minister will determine the amount that each of them may claim.

### **❑ Eligible dwelling**

For the purposes of the tax credit, a particular eligible dwelling of an individual will mean a dwelling located in Québec, other than an excluded dwelling, whose construction was completed before January 1, 2017 and of which the individual is the owner (or co-owner) at the time the expenditures attributable to the carrying out of the recognized work are incurred, where, at that time, the dwelling is, or is part of, an isolated dwelling within the meaning of the *Regulation respecting waste water disposal systems for isolated dwellings*<sup>13</sup> and is:

- the individual's principal place of residence; or
- a cottage suitable for year-round occupancy that is normally occupied by the individual.

In that regard, an individual's dwelling will be considered an excluded dwelling if, before the recognized work begins, the dwelling is the object of:

- a notice of expropriation or a notice of intention to expropriate;
- a reserve for public purposes;<sup>14</sup> or
- a prior notice of the exercise of a hypothecary right registered in the registry office or any other procedure calling the individual's right of ownership of the dwelling into question.

<sup>12</sup> In accordance with the rules established, supporting documents concerning tax relief must generally be preserved for six years after the last year to which they relate.

<sup>13</sup> Briefly, a single-family or multi-family dwelling is considered an isolated dwelling if it has no more than six bedrooms and is not connected to a sewer system authorized under section 32 of the *Environment Quality Act*.

<sup>14</sup> The main objective of a reserve for public purposes is to prohibit, as of the date it is imposed, development of an immovable that is scheduled to be expropriated at a later date. A reserve for public purposes generally prohibits any construction of, or improvement or addition to, the immovable to which it applies, other than repairs necessary to avoid any deterioration.

## ❑ Recognized work

Recognized work for the purposes of the tax credit that may be claimed by an individual will relate to the construction, renovation, modification, rebuilding, relocation or enlargement of a system for the discharge, collection and disposal of waste water, toilet effluents or grey water of an eligible dwelling.

Recognized work will also include necessary site restoration work.

However, work may be recognized only if the carrying out of the work is awarded to a contractor under the terms of an agreement entered into after March 31, 2017 and before April 1, 2022 (hereinafter, "service agreement") with the individual<sup>15</sup> or with a person who, at the time the agreement is entered into, is the individual's spouse, another owner of the dwelling or the other owner's spouse.

At the time the agreement is entered into, the contractor must be a person or a partnership with an establishment in Québec, other than a person who is an owner of the dwelling or of part of the isolated dwelling in which the dwelling is located, or who is the spouse of such a person.

In addition, the contractor who is awarded the carrying out of the work relating to a residential waste water treatment system must, at the time the work is carried out, hold an appropriate licence issued by the Régie du bâtiment du Québec<sup>16</sup> and the licence security.

To be recognized, work must be carried out in compliance with the rules set out in the Québec legislation and regulations, including the *Regulation respecting waste water disposal systems for isolated dwellings*, and the applicable municipal by-laws.

## ❑ Qualified expenditures

For the purposes of the tax credit, an individual's qualified expenditures for a particular taxation year in relation to a particular eligible dwelling of the individual will be equal to the aggregate of the expenditures attributable to the carrying out of recognized work provided for in a service agreement in relation to the dwelling, where the expenditures were paid in the year and, if the particular taxation year is the 2017 taxation year, after March 31 of that year, by the individual or the individual's legal representative, by a person who is the individual's spouse at the time the expenditures are paid or by any other individual who, at the time the expenditures are incurred, owns the eligible dwelling jointly with the individual, and where the expenditures are not considered excluded expenditures.

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<sup>15</sup> For the purposes of this measure, where the individual's eligible dwelling is located in an immovable under divided co-ownership, the service agreement may be entered into by the immovable's syndicate of co-owners.

<sup>16</sup> Only contractors holding a licence in subclass 2.4, "Contractor – Private sewerage systems," issued by the Régie du bâtiment du Québec may carry out work relating to septic systems.



More specifically, expenditures attributable to the carrying out of recognized work provided for in a service agreement in relation to an individual's eligible dwelling will correspond to:

- the cost of permits necessary to carry out the work, including the cost of studies carried out to obtain the permits;
- the cost of services provided by the contractor to carry out the work, including, as applicable, the related goods and services tax and Québec sales tax;
- the cost of movable property that is used in the carrying out of the work, including, as applicable, the related goods and services tax and Québec sales tax, provided the movable property was acquired after March 31, 2017 from the contractor or a merchant holding a registration number assigned under the *Act respecting the Québec sales tax*<sup>17</sup> and complies with, where required, the standards established by the *Regulation respecting waste water disposal systems for isolated dwellings*.

However, for the purpose of determining the amount of an individual's qualified expenditures for a particular taxation year, the individual may include an amount regarding the provision of services attributable to recognized work only if the contractor certifies, on a prescribed form, that the property used in the carrying out of the work complies with, where required, the standards established by the *Regulation respecting waste water disposal systems for isolated dwellings*.

In addition, if the service agreement does not relate solely to recognized work, the contractor must give the individual a written statement showing the breakdown of the cost of goods and services supplied by the contractor for the different types of work carried out.

If an individual's eligible dwelling is located in an immovable under divided co-ownership, the individual's qualified expenditures will include any expenditure paid by the syndicate of co-owners, up to the individual's share of the expenditure, where:

- the expenditure would be a qualified expenditure of the syndicate of co-owners if the syndicate were an individual and the immovable, an eligible dwelling of the individual; and
- the syndicate of co-owners provides to the individual, on the prescribed form, the information concerning the work and the amount of the individual's share of the expenditure.

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<sup>17</sup> In that respect, a merchant will be deemed to hold a registration number assigned under the *Act respecting the Québec sales tax* if the merchant, being a small supplier within the meaning of section 1 of that Act, is not a registrant for the purposes of the Act.

## **❑ Excluded expenditure**

For the purposes of the tax credit, an excluded expenditure for a year will mean any portion of an individual's expenditures attributable to the carrying out of recognized work provided for in a service agreement in relation to an eligible dwelling of the individual that is:

- used to finance the cost of recognized work;
- attributable to goods or services supplied by a person not at arm's length with the individual or one of the other owners of the dwelling, unless the person holds a registration number assigned under the *Act respecting the Québec sales tax*;
- deductible in the calculation of an individual's business or property income for the year or any other year;
- included in the capital cost of depreciable property.

## **❑ Refund or other form of assistance**

For the purpose of calculating the tax credit, an individual's qualified expenditures must be reduced by, as the case may be, the amount of any government assistance in excess of the first \$2 500 granted in that respect, any non-government assistance, any refund or other form of assistance, including an indemnity paid under an insurance contract that the individual or any other person, other than a person acting as contractor for the carrying out of the work, received or is entitled to receive with respect to the carrying out of recognized work provided for in a service agreement entered into in relation to an eligible dwelling of the individual.

However, government assistance in the form of tax relief granted under the Québec tax system or federal tax system will not have to be subtracted from an individual's qualified expenditures.

## **1.5 Greater recognition of the special needs of inhabitants of the Communauté maritime des Îles-de-la-Madeleine**

To recognize that the cost of living in certain areas is higher than elsewhere because of their remote location, the tax system grants inhabitants of these areas a special deduction in the calculation of their income.

This deduction is for individuals who usually reside in a designated remote area throughout a period of not less than six consecutive months. It is composed of a residency component, to which is added a travel component for inhabitants who, because of their employment, receive certain taxable benefits regarding their travel outside the area.

Under the residency component, an eligible individual is allocated \$11 for each day of residency in a designated remote area. This amount may be doubled if the individual maintains and resides in a self-contained domestic establishment and no other person occupying that dwelling claims the deduction for the same day.

Thus, the amount allowed under the residency component may reach \$22 per day for a member of a household, which generally corresponds to \$8 030 for a full year. However, the amount granted may not exceed 20% of the individual's income for the year.

The travel component applies to two vacation trips a year, paid by the employer, and to all travel, without restriction, paid by the employer for medical reasons.

However, the amount that may be claimed by an individual in respect of each of these components of the deduction for inhabitants of remote areas depends on the area in which the individual is resident. Amounts otherwise determined are granted in full to inhabitants of the northernmost areas (northern zones), and reduced by 50% for inhabitants of intermediate zones.

Currently, Québec tax regulations provide that northern zones and intermediate zones are those prescribed by the federal tax regulations for the purposes of the northern residents deduction granted under the federal tax system.

To that end, Québec's designated northern zones are the areas that lie north of 51°05' north latitude and those north of the Gulf of St. Lawrence and east of 63°00' west longitude. Québec's intermediate zones include certain territories adjacent to Québec's northern zones, and the Magdalen Islands.

To better recognize the uniqueness of the Communauté maritime des Îles-de-la-Madeleine, rooted in its insular nature and its isolation due to its geographic location in the middle of the Gulf of St. Lawrence, the tax regulations will be amended so that the Magdalen Islands are considered northern zones as of the 2017 taxation year.



## 2. MEASURES CONCERNING BUSINESSES

### 2.1 Adjustment to the refocusing of the SBD – Replacement of the hours worked criterion

The general corporate tax rate in Québec is currently 11.8%.

Canadian-controlled private corporations whose paid-up capital is \$10 million or less receive a tax rate reduction of 3.8 percentage points on the first \$500 000 of annual income—the business limit<sup>18</sup>—from an eligible business, which lowers the tax rate from 11.8% to 8% on the first \$500 000 of income. This reduced tax rate is known as the small business deduction (SBD).

In the past two years,<sup>19</sup> various changes to the SBD have been announced, including a refocusing of the deduction on corporations in the primary and manufacturing sectors through the addition of qualification criteria. These changes were introduced to support, in particular, corporations that invest in their growth. They apply to taxation years beginning after December 31, 2016.

In accordance with the qualification criteria announced, a corporation may deduct, in respect of a taxation year, an amount equal to the maximum SBD rate applicable for the taxation year, where:

- its employees accumulate a minimum number of hours worked; or
- it is a corporation in the primary or manufacturing sector.<sup>20</sup>

More specifically, a corporation meets, for a taxation year, the qualification criterion concerning the minimum number of hours worked if, as applicable:

- during the taxation year, its employees worked at least 5 500 hours;
- during the previous taxation year, the hours worked by its employees and the employees of the corporations with which it is associated total at least 5 500 hours (hereinafter, “previous year consolidated basis test”).

To prevent a corporation from losing its entire SBD where the number of hours falls slightly below the required threshold, a transitional mechanism is provided for. Thus, the SBD rate applicable to a corporation for a taxation year is reduced linearly between 5 500 hours and 5 000 hours, and falls to zero at 5 000 hours.

<sup>18</sup> The \$500 000 business limit is gradually reduced for corporations whose paid-up capital is between \$10 million and \$15 million, and falls to zero for corporations whose paid-up capital is \$15 million or more.

<sup>19</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2015-2016 – Additional Information 2015-2016*, March 26, 2015, pp. A.37-A.44 and *The Québec Economic Plan – Additional Information 2016-2017*, March 17, 2016, pp. A.35-A.37.

<sup>20</sup> “Corporation in the primary or manufacturing sector” for a particular taxation year means a corporation at least 25% of whose activities consist of activities in the primary sector or the manufacturing and processing sector.

Since the announcement of these changes, various stakeholders have pointed out that the application of this criterion is complex in the case of very small corporations and that an approach based on hours paid would greatly simplify matters.

Accordingly, the qualification criterion concerning the minimum number of hours worked will be replaced by a qualification criterion concerning the minimum number of hours paid.

The thresholds of 5 000 hours and 5 500 hours will be kept for the purposes of the new qualification criterion.

The special rules applicable to the qualification criterion based on hours worked will be adapted to take into account the fact that the qualification criterion will now be based on hours paid for a corporation's employees.

More specifically, the following rules will apply:

- a maximum of 40 hours per week per employee will be considered;
- the expenditure relating to hours paid for an employee must have been incurred for the taxation year covered by the application for the SBD;
- the 5 500 hours applying to the current year will be based on a full taxation year and this threshold will be reduced proportionally in the case of a short fiscal period; this proportional reduction will not be applied for the previous year consolidated basis test;
- with respect to the previous year consolidated basis test, the corporation must consider the taxation years ended during the calendar year preceding the year during which the corporation's taxation year ends;
- each corporation in a group of associated corporations must count its employees' hours paid; for greater clarity, the hours paid for a subcontractor that is acting on behalf of a corporation will not be counted by the corporation, but may be counted by the subcontractor.

In certain cases, a person that is a shareholder of a corporation may be actively engaged in the corporation's activities for a taxation year without drawing any remuneration in the form of wages, although the person may receive, for example, amounts in the form of a dividend, or while receiving remuneration that is less than the value of the person's active engagement.

In these circumstances, the tax legislation will be amended for the purposes of the SBD so that a person who holds, directly or indirectly, most of the shares with full voting rights of the capital stock of a corporation is deemed to have received, from the corporation for a taxation year of the corporation, subject to the conditions listed previously, remuneration corresponding to a conversion factor of 1.1 for each hour the person worked as an active participant in the corporation's activities for the year.

The corporation must document the hours worked by a person in these circumstances.

## ❑ Application date

Replacement of this qualification criterion will apply as of the coming into effect of the refocusing of the SBD, that is, to taxation years beginning after December 31, 2016.

## 2.2 Increase in the additional deduction for transportation costs of certain remote manufacturing SMEs

As part of the budget speech of June 4, 2014, an additional deduction for transportation costs of remote manufacturing small and medium-sized enterprises (SMEs)<sup>21</sup> was introduced.<sup>22</sup> The purpose of this deduction is to improve the competitiveness of these manufacturing SMEs.

Eligible corporations may claim this additional deduction in the calculation of their net income to reflect the higher transportation costs stemming from the distance of certain regions from Québec's major urban centres.

Briefly, the amount of the additional deduction a corporation may claim for a taxation year depends on a number of parameters: the region where it carries out its manufacturing activities, the level of its manufacturing activities, the size of the corporation, its gross income for the taxation year and the regional limit applicable to it.

The amount of the additional deduction for a taxation year beginning after December 31, 2014 is calculated by, among other things, applying to a corporation's gross income for that year the base rate (1%, 3%, 5% or 7%) associated with the region in Québec where it carries out its manufacturing activities.

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<sup>21</sup> Canadian-controlled private corporations whose paid-up capital is less than \$15 million.

<sup>22</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2014-2015 – Additional Information on the Fiscal Measures of the Budget*, June 4, 2014, pp. 3-7. Changes were subsequently made to this measure (MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2014-11*, December 2, 2014, pp. 6-10.)

The 3%, 5% and 7% rates apply to three separate areas grouping territories that, to varying degrees, are located far from major urban centres. These areas are, respectively, the “intermediate area,”<sup>23</sup> the “remote area”<sup>24</sup> and the “special remote area.”<sup>25</sup>

The 1% rate applies to major urban centres—the “central area.”<sup>26</sup>

To provide more assistance to manufacturing SMBs that carry out their activities in the “special remote area,” the 7% additional deduction rate associated with this area will be raised to 10%.

This additional deduction rate will apply to taxation years beginning after the day of the budget speech.

### **2.3 Introduction of an additional deduction for transportation costs of all SMEs located in the special remote area**

The “special remote area” consists of the municipality of L’Île-d’Anticosti, the Communauté maritime des Îles-de-la-Madeleine, the Golfe-du-Saint-Laurent RCM (Côte-Nord) and the Kativik Regional Government (Nord-du-Québec). These territories are faced with special issues relating to their remote location that pose a major challenge for local businesses.

To provide additional support to all small and medium-sized enterprises (SMEs) established in the special remote area, a new deduction for transportation costs will be put in place.

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<sup>23</sup> The intermediate area consists of the territories included in the following administrative regions, regional county municipalities (RCMs) and municipalities: Capitale-Nationale, except for the municipalities in the Québec census metropolitan area (CMA) and the Charlevoix-Est RCM; Chaudière-Appalaches, except for the municipalities in the Québec CMA; Lanaudière, except for the municipalities in the Montréal CMA; Laurentides, except for the municipalities in the Montréal CMA; Montérégie, except for the municipalities in the Montréal CMA; Centre-du-Québec; the western part of Estrie, including the Ville de Sherbrooke and the Memphrémagog, Val-Saint-François, des Sources and Coaticook RCMs; the southern part of Mauricie, including the cities of Trois-Rivières and Shawinigan, as well as the Chenaux and Maskinongé RCMs; Papineau RCM (Outaouais).

<sup>24</sup> The remote area consists of the territories included in the following administrative regions, RCMs, urban agglomeration and municipalities: Bas-Saint-Laurent; Saguenay–Lac-Saint-Jean; Abitibi-Témiscamingue; Côte-Nord, except for the municipality of L’Île-d’Anticosti and the Golfe-du-Saint-Laurent RCM; Nord-du-Québec, except for the Kativik Regional Government; Gaspésie, including the Avignon, Bonaventure, Côte-de-Gaspé, Haute-Gaspésie and Rocher-Percé RCMs; the eastern part of Estrie, including the Granit and Haut-Saint-François RCMs; Antoine-Labelle RCM (Laurentides); urban agglomeration of La Tuque and Mékinac RCM (Mauricie); Pontiac and La Vallée-de-la-Gatineau RCMs (Outaouais); Charlevoix-Est RCM (Capitale-Nationale).

<sup>25</sup> The special remote area consists of the territories included in the following RCMs, urban agglomeration, municipality and regional government: municipality of L’Île-d’Anticosti (Côte-Nord); Communauté maritime des Îles-de-la-Madeleine; Golfe-du-Saint-Laurent RCM (Côte-Nord); Kativik Regional Government (Nord-du-Québec).

<sup>26</sup> The central area consists of the territories of Québec that are not included in the other three areas. Essentially, this means Gatineau and the Montréal and Québec census metropolitan areas.



Briefly, the amount of this additional deduction that may be claimed by an eligible corporation for a taxation year will depend on the scale of its activities in the special remote area and its size. SMEs in this area will therefore have a tax benefit that reflects the special situation of these territories located far from Québec's major urban centres.

The amount of this additional deduction for a taxation year may reach 10% of an eligible corporation's gross income for the taxation year.

## **❑ Eligible corporation**

The additional deduction will be available to all Canadian-controlled private corporations whose paid-up capital, calculated on a consolidated basis, is less than \$15 million. These corporations, regardless of their sector of activity, may claim this deduction in the calculation of their net income.

However, so that corporations benefit fully from this deduction for a taxation year, the paid-up capital, calculated on a consolidated basis, must not exceed \$10 million. Eligible corporations may benefit partially from the deduction for a taxation year, where their paid-up capital, calculated on a consolidated basis for the year, is between \$10 million and \$15 million, the additional deduction being linearly reduced in accordance with the parameters currently in effect for the additional deduction for transportation costs of remote manufacturing SMEs.

## **❑ Determination of the level of activities in the special remote area**

An eligible corporation may claim the 10% additional deduction for a taxation year, where its labour or capital investments are primarily concentrated in the carrying on of a business located in the special remote area.

To that end, the corporation must show that over 50% of its "cost of labour" or over 50% of its "cost of capital" for the taxation year is attributable to the carrying on of the business located in the special remote area.

The terms "cost of labour" and "cost of capital" will be defined in accordance with the criteria set forth in Canada's *Income Tax Regulations*, which are currently used to calculate the additional deduction for transportation costs of remote manufacturing SMEs.<sup>27</sup>

Moreover, there will be no limit on the additional deduction for transportation costs of SMEs located in the special remote area.

For greater clarity, a special rule will be incorporated into the tax legislation to prevent corporations from claiming, for a particular taxation year, both the additional deduction for transportation costs of SMEs located in the special remote area and the additional deduction for transportation costs of remote manufacturing SMEs.

<sup>27</sup> *Taxation Act*, s. 156.11 (definition of "proportion of the manufacturing or processing activities," which refers to the terms "cost of labour" and "cost of capital" as determined by section 5200 of the *Income Tax Regulations* (C.R.C., c. 945), enacted under the *Income Tax Act*).

## ❑ Application date

This tax measure will apply to an eligible corporation's taxation year that begins after the day of the budget speech.

## 2.4 Improvements to the tax holiday for large investment projects

As part of Budget Speech 2013-2014,<sup>28</sup> a tax holiday for large investment projects was introduced.<sup>29</sup>

Briefly, a corporation that carries out a large investment project in Québec may, under certain conditions, claim a tax holiday in respect of the income from its eligible activities relating to the project and a holiday from employer contributions to the Health Services Fund (HSF) regarding the portion of wages paid to its employees that is attributable to the time they devote to such activities.

Similarly, a partnership that carries out a large investment project in Québec may, under certain conditions, claim a holiday from employer HSF contributions regarding the portion of wages paid to its employees that is attributable to the time they devote to eligible activities relating to the project. A corporation that is a member of the partnership may receive a tax holiday in respect of its share of the income from eligible activities of the partnership relating to the project.<sup>30</sup>

This tax holiday lasts 15 years.

To qualify as a large investment project, a project must, among other things, pertain to activities in the manufacturing, data processing and hosting, wholesale trade or warehousing sectors. It must also meet a requirement to reach the capital investment threshold.

Since February 10, 2015,<sup>31</sup> to qualify for the holiday, an investment project must reach a capital investment threshold of \$100 million<sup>32</sup> or \$75 million. In the latter case, all or substantially all of an investment project must be carried out in a designated region<sup>33</sup> and all or substantially all of the resulting activities must be carried out in such a region for the duration of the tax holiday.

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<sup>28</sup> MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC, *Budget 2013-2014 – Budget Plan*, November 20, 2012, pp. H.23-H.32.

<sup>29</sup> This tax holiday was previously called the "tax holiday for large investment projects – THL."

<sup>30</sup> In the interests of readability, situations involving partnerships are not indicated but will be covered by the announced amendments, with the necessary adaptations.

<sup>31</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2015-2*, February 10, 2015.

<sup>32</sup> The capital investment threshold was initially \$300 million. It was reduced to \$200 million as part of *Information Bulletin 2013-10*, October 7, 2013.

<sup>33</sup> Designated regions refer to the territories included in the following administrative regions, regional county municipalities (RCMs) and urban agglomeration: Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Nord-du-Québec and Saguenay-Lac-Saint-Jean administrative regions; Antoine Labelle, Charlevoix-Est, Granit, Haut-Saint-François and Mékinac RCMs; urban agglomeration of La Tuque; Pontiac and Vallée-de-la-Gatineau RCMs.

To claim the tax holiday, a corporation must obtain an initial qualification certificate and annual certificates issued by the Minister of Finance. The application for an initial qualification certificate must be made before the carrying out of the investment project begins and before November 21, 2017.

To encourage the carrying out of still more projects with a structuring effect on Québec's economy, two changes will be made to the tax holiday.

First, an additional period will be granted to apply for an initial qualification certificate for the purposes of the tax holiday. Second, to simplify the administration of this measure, a new election will be introduced to allow two large investment projects carried out by a corporation to be considered together.

### **❑ Postponement of the time limit for applying for an initial qualification certificate**

To claim the tax holiday for large investment projects, a corporation must, among other things, file an application for an initial qualification certificate in respect of its investment project before the carrying out of the project begins and not later than November 20, 2017. The November 20, 2017 time limit for making such an application will be postponed.

Accordingly, the *Act respecting the sectoral parameters of certain fiscal measures* (hereinafter, "sectoral act") will be amended so that, to claim the tax holiday for a large investment project, a corporation will be required to file an application for an initial qualification certificate with the Minister of Finance in writing before the carrying out of its large investment project begins and not later than December 31, 2020.

### **■ Application date**

This amendment will apply to large investment projects in relation to which an application for an initial qualification certificate is filed after the day of the budget speech.

### **❑ Introduction of an election enabling an additional phase to be added to a large investment project**

The purpose of the tax holiday for large investment projects is to stimulate and accelerate the carrying out of major investments in Québec in accordance with the government's strategic objectives of job creation and economic development.

This measure therefore targets the implementation of new activities in Québec and the increase or modernization of the output of businesses already present in Québec, in order to generate substantial investments.

However, in certain circumstances, the scale of investment projects can require that they be implemented in phases.

In this context, changes will be made to the tax holiday to reflect this reality.

## ■ Modification of the initial qualification certificate

To claim the tax holiday,<sup>34</sup> a corporation must obtain an initial qualification certificate, which states that the investment project referred to in the application for a certificate will likely be recognized as a large investment project.<sup>35</sup>

The application for an initial qualification certificate must be made before the carrying out of the investment project begins.

A 60-month period begins as of the date of issue of the initial qualification certificate. The corporation's investment projects must take concrete form within that period.

During this start-up period,<sup>36</sup> the tax holiday is not granted. It will not be granted until the first annual certificate in relation to the investment project has been issued. The tax holiday is then granted for a 15-year period.

In general, a corporation may claim the tax holiday during this 15-year tax-free period, which begins on the date specified in the first annual certificate in relation to the investment project,<sup>37</sup> subject to a limit corresponding to 15% of the total qualified capital investments of the project and compliance with all of the conditions otherwise applicable.

As mentioned previously, the scale of certain investment projects, although separate, requires that they be carried out in phases.

The sectoral act will therefore be amended to state that a corporation that has obtained an initial qualification certificate in relation to a large investment project (hereinafter, "Phase I") may apply to the Minister of Finance to have the certificate modified in order to add a second large investment project, which will be part of the continuation of Phase I (hereinafter, "Phase II"), where the project complies with the sectors of activity otherwise eligible.<sup>38</sup>

Like an application for an initial qualification certificate relating to Phase I, an application for modification must be filed with the Minister of Finance before the carrying out of the large investment project comprising Phase II begins.

For the purposes of this tax holiday, an application for modification of the initial qualification certificate relating to Phase I will be considered an application for an initial qualification certificate regarding Phase II.

An application for modification must be filed with the Minister of Finance not later than the date on which the application for the first annual certificate relating to Phase I was issued<sup>39</sup> and before January 1, 2021.

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<sup>34</sup> *Act respecting the sectoral parameters of certain fiscal measures*, Schedule E, s. 8.1, definition of "tax holiday relating to the carrying out of a large investment project."

<sup>35</sup> *Ibid.*, Schedule E, s. 8.5.

<sup>36</sup> *Ibid.*, Schedule E, s. 8.1, definition of "start-up period."

<sup>37</sup> *Ibid.*, Schedule E, s. 8.1, definition of "tax-free period."

<sup>38</sup> *Ibid.*, Schedule E, s. 8.6.

<sup>39</sup> *Ibid.*, Schedule E, s. 8.8, second paragraph.

## ■ Separate accounts

The tax legislation will be amended so that Phase I and II large investment projects can be the object of the same separate accounts a corporation is required to keep. In this regard, the investments of each of the two phases must be entered separately and clearly identified in the separate accounts.<sup>40</sup>

## ■ Reaching of the investment threshold applicable to Phase II

Like Phase I, Phase II of a corporation's investment project will be subject to a start-up period, which will last at most 60 months and begin on the date that the modification of the initial qualification certificate relating to Phase I is sent to the corporation.

During this period, the total capital investments attributable to Phase II must reach the minimum threshold of \$75 million or \$100 million provided for in the sectoral act.<sup>41</sup>

## ■ Terms for calculating the tax holiday during the Phase II start-up period

To claim the tax holiday, a corporation must obtain an annual certificate for each taxation year included, in whole or in part, in its tax-free period.

The sectoral act will be amended to state that annual certificates relating to the start-up period of Phase I of an investment project may also reflect Phase II activities of the investment project, as the case may be.

The tax legislation will therefore be amended so that the tax holiday that may be claimed by a corporation applies to all Phase I and II activities.

In this context, for the period that begins at the beginning of the Phase I tax-free period and ends at the end of the Phase II tax-free period, the carrying on of all activities relating to Phases I and II will be considered to be part of one and the same separate business carried on by a corporation, for the purpose of determining the income or loss stemming from all activities of these two phases<sup>42</sup> and the employer HSF contribution.<sup>43</sup>

However, during the Phase II start-up period included in the Phase I tax-free period, the tax holiday that may be claimed by a corporation will be subject to the 15% limit on the total qualified capital investments applicable to Phase I and to the rules for calculating the balance of the limit.

During that period, the corporation must show, in order to obtain an annual certificate, that it is carrying out Phase I activities and, as applicable, Phase II activities in the taxation year.

<sup>40</sup> *Taxation Act*, s. 737.18.17.1, definition of "recognized business."

<sup>41</sup> *Act respecting the sectoral parameters of certain fiscal measures*, Schedule E, ss. 8.7 and 8.8, second paragraph.

<sup>42</sup> *Taxation Act*, ss. 733.0.5.1 and 737.18.17.2.

<sup>43</sup> *Act respecting the Régie de l'assurance maladie du Québec*, s. 34.

In this case, the annual certificate will confirm that the project is recognized for the taxation year as a large investment project, that it was shown that the resulting Phase I and II activities, as the case may be, are carried out in Québec and that the capital investment threshold applicable to Phase I was met.

■ **Terms for calculating the tax holiday for the period that begins at the beginning of the Phase II tax-free period and ends at the end of the Phase I tax-free period**

A corporation must apply for a first annual certificate for Phase II in accordance with the rules currently set forth in the sectoral act, in order to specify in the application the date of the beginning of the 15-year tax-free period of that phase, which will correspond to the later of the following dates:

- the date that the capital investment threshold applicable to Phase II was reached;
- the date that the eligible Phase II activities begin to be carried out or, where the corporation gradually begins to carry out its eligible Phase II activities, the date that 90% of goods intended for use in the eligible activities pertaining to that phase will be ready for use in such activities.

The tax legislation will be amended to state that, during the period that begins at the beginning of the Phase II tax-free period and ends at the end of the Phase I tax-free period, the tax holiday that may be claimed by a corporation is subject to a limit corresponding to the sum of the balance of the 15% limit on the total qualified capital investments applicable to Phase I and the 15% limit on the total qualified capital investments applicable to Phase II.

For greater clarity, the balance of the limit applicable to the tax holiday will be established taking into account phases I and II of the investment project during this period.

Moreover, during this period, a corporation must show, in order to obtain an annual certificate, that it is continuing to carry out Phase I and II activities in the taxation year.

In this case, the annual certificate will confirm that the project was recognized for the taxation year as a large investment project, that it was shown that the resulting Phase I and II activities are carried out in Québec and that the capital investment thresholds applicable to Phase I and II were met.

■ **Terms for calculating the tax holiday for the period that begins after the end of the Phase I tax-free period and ends at the end of the Phase II tax-free period**

The tax legislation will be amended to state that, for the period that begins after the end of the Phase I tax-free period and ends at the end of the Phase II tax-free period, a corporation is required to keep separate accounts for all of its Phase I and II activities under the investment project.

During this period, the tax holiday that may be claimed by a corporation will be determined according to the proportion of income, in the case of the tax holiday, and wages paid to its employees, in the case of the holiday from employer HSF contributions, that is attributable to Phase I and II activities represented by the total qualified capital investments applicable to Phase II over the sum of the aggregate of the qualified capital investments applicable to Phase I and the aggregate applicable to Phase II.

In addition, during this period, the balance of the limit applicable to this tax holiday will correspond to the lesser of:

- the balance of the limit as determined at the end of the Phase I tax-free period;
- the 15% limit on the total qualified capital investments applicable to Phase II as determined at the beginning of that phase's tax-free period.

Moreover, during this period, the corporation must show, in order to obtain an annual certificate, that it is continuing to carry on Phase II activities in the taxation year.

In this case, the annual certificate will confirm that the project is recognized for the taxation year as a large investment project, that it was shown that the resulting Phase II activities are carried out in Québec and that the capital investment threshold applicable to that phase was met.

## ■ **Application date**

These amendments will apply as of the day following the day of the budget speech.

## **2.5 Introduction of an additional capital cost allowance of 35%**

The manufacturing sector is an important lever of economic development for Québec. Also, businesses in this sector are facing stiff international competition and must adapt to changes attributable, among other things, to robotization and automation of manufacturing processes.

In addition, in the age of digitization, businesses in all sectors of activity feel the need to computerize their business processes.

In this context, to support businesses and encourage them to accelerate their investments to ensure their competitiveness with a view to manufacturing innovative products and computerizing their business processes, the tax legislation and regulations will be amended to introduce an additional capital cost allowance where a business acquires manufacturing or processing equipment and computer equipment before April 1, 2019.

## ❑ **Qualified property**

The tax legislation and regulations provide that a taxpayer may deduct, in calculating income for a taxation year, an amount corresponding to 55% of the acquisition cost of property that consists, in particular, in general-purpose electronic data processing equipment and systems software for that equipment,<sup>44</sup> as well as an amount corresponding to 50% of the acquisition cost of property that consists in machinery and equipment acquired mainly with a view to using them for manufacturing and processing goods intended for sale or lease.<sup>45</sup> These capital cost allowances are calculated on the degressive balance for each class.

This property will be qualified property for the purposes of the additional capital cost allowance.

Also, qualified property must be put to use within a reasonable time of its acquisition and be used by the taxpayer mainly in the course of carrying on a business during a period of 730 consecutive days following the day it is first put to use, except in the case of loss or involuntary destruction of the property—caused, among other things, by accident or theft—or in the case of a major breakdown of the property.

Such property must be used mainly in Québec throughout the 730-day period.

In addition, the property must be new at the time of its acquisition and be acquired by the taxpayer after the day of the budget speech and before April 1, 2019.

## ❑ **Additional capital cost allowance**

The tax legislation and regulations will be amended so that a taxpayer can deduct, in calculating income for a taxation year from a business, an amount on account of additional capital cost allowance in respect of qualified property.<sup>46</sup>

A taxpayer will be entitled to the allowance for two taxation years: the taxation year in which the property is first put to use and the taxation year following that year.

The base amount of the allowance will correspond, for a taxation year, to an amount equal to 35% of the amount deducted as depreciation by the taxpayer in calculating income for the year in respect of the capital cost allowance class to which the taxpayer's qualified property belongs.

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<sup>44</sup> This refers to all of the property contemplated in Class 50 of Schedule B of the *Regulation respecting the Taxation Act*.

<sup>45</sup> This refers to all of the property contemplated in Class 53 of Schedule II of the *Income Tax Regulations* in respect of which the tax legislation and regulations will be harmonized, as was announced in *Information Bulletin 2015-4*, of June 18, 2015, p. 5.

<sup>46</sup> The additional capital cost allowance will also apply, with the necessary adaptations, where a business is carried on by a partnership.



The amount that the taxpayer may deduct in calculating income for a taxation year on account of the additional capital cost allowance will correspond to the product of the base amount of the allowance for the year and the fraction of the undepreciated capital cost (UCC) of property of the capital cost allowance class attributable to the qualified property.

For the taxation year in which the qualified property is first put to use, the fraction of UCC attributable to the qualified property will correspond to the proportion represented by the ratio between one-half of the acquisition cost of that property and the UCC used in calculating the capital cost allowance for the year.

For the taxation year following the taxation year in which the qualified property is first put to use, the fraction of UCC attributable to the qualified property will correspond to the proportion represented by the ratio between the depreciation balance attributable to the qualified property and the UCC used in calculating the capital cost allowance for the year.

In this respect, the depreciation balance attributable to the qualified property will mean the amount by which the cost of the qualified property exceeds the part of the capital cost allowance amount that the taxpayer deducted in calculating the previous year's income and that is proportionately attributable to the qualified property.

### ☐ **Special tax**

A taxpayer that claims an additional capital cost allowance in respect of qualified property and does not use the property mainly in the course of carrying on a business during a period of 730 consecutive days following the day it is first put to use or does not use it mainly in Québec throughout the 730-day period will be subject to a special tax.

This special tax will correspond to the amount of the additional capital cost allowance obtained by the taxpayer in respect of the property.

### ☐ **Application date**

These changes will apply after the day of the budget speech in respect of property acquired after that date and before April 1, 2019.

## 2.6 Higher increases respecting the refundable tax credit for Québec film or television production

In general, the refundable tax credit for Québec film or television production applies to the labour expenditure incurred by a qualified corporation that produces a Québec film<sup>47</sup> in respect of which the Société de développement des entreprises culturelles (SODEC) issued a certificate recognizing the film to which it applies as an eligible Québec film or television production.

The tax credit is equal to 40% or 32% of the qualified labour expenditure incurred to produce the film in the case of a production that is not adapted from a foreign format and 36% or 28% of such an expenditure in the case of a production that is adapted from a foreign format (hereinafter, “base rates”).

The 40% and 36% base rates apply to the labour expenditure related to the production of certain feature-length, medium or short films, certain productions intended for minors and certain documentaries, provided they are in French (hereinafter, “French-language production”); this also applies for giant-screen films, regardless of the language.

The 32% and 28% base rates apply to the production of other categories of eligible films.

In all cases, the labour expenditure giving rise to the tax credit may not exceed 50% of the film’s production costs.

Furthermore, certain types of labour expenditures may give entitlement to three specific increases:<sup>48</sup>

- the 8% increase for productions integrating special effects and computer animation (hereinafter, “increase for special effects and computer animation”);
- the 8% or 16% increase, as applicable, for regional productions (hereinafter, “regional increase”);
- the 8% increase for a production that has not received any financial assistance from a public body (hereinafter, “increase for no public financial assistance”).

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<sup>47</sup> The term “film” includes a television program.

<sup>48</sup> However, the maximum tax assistance that may be obtained may not exceed 56% of the qualified labour expenditure in the case of a production that is not adapted from a foreign format and 52% of such an expenditure in the case of a production that is adapted from a foreign format.

The various applicable rates of the refundable tax credit for Québec film or television production are shown in the following table.

TABLE A.4

**Base rates and rates of increases**  
(per cent)

	Rate of the tax credit							
	Increases							
	Base rate	Special effects and computer animation	Regional	No public financial assistance <sup>(1)</sup>	Maximum rate <sup>(2)</sup>	Labour expenditure cap	Effective rate <sup>(3)</sup>	
							As a % of production costs	
			As a % of labour expenditure				Minimum	Maximum
French-language <sup>(4)</sup> or giant-screen production that is not adapted from a foreign format	40	—	8	8	56	50	20	28 <sup>(5)</sup>
French-language or giant-screen production that is adapted from a foreign format	36	—	8	8	52	50	18	26 <sup>(5)</sup>
Other production that is not adapted from a foreign format	32	8	16	8	56	50	16	28 <sup>(6)</sup>
Other production that is adapted from a foreign format	28	8	16	8	52	50	14	26 <sup>(6)</sup>

(1) This increase applies to a Québec film or television production that is a feature film of fiction or a stand-alone documentary that has not received any financial assistance from a public body.

(2) Where all or part of the labour expenditure gives rise to more than one increase, the total cannot exceed 56% for productions that are not adapted from a foreign format and 52% for production that are adapted from a foreign format.

(3) The effective rate is obtained by multiplying the rate of the tax credit, expressed as a function of labour expenditure, by the rate of the cap, expressed as a function of production costs.

(4) The following productions are eligible: feature-length, medium or short films of fiction (including co-produced feature films), stand-alone documentaries (including co-productions intended primarily for French-language markets, as well as productions intended for minors).

(5) To determine the maximum assistance, it is assumed that the labour expenditure giving rise to the base rate also gives rise to the regional increase and the increase for no public financial assistance.

(6) To determine the maximum assistance, it is assumed that the labour expenditure giving rise to the base rate also gives rise to the regional increase and, as applicable, the increase for special effects and computer animation or the increase for no public financial assistance.

To stimulate Québec film and television production overall, but more particularly, firstly, to spur the development of more productions integrating special effects and computer animation, secondly, to encourage producers established in Québec's various regions to continue their efforts to offer more original Québec creations and, finally, to foster the signing of co-production agreements involving Québec producers and foreign producers, the tax legislation will be amended to improve the three increases respecting the refundable tax credit for film or television production.

### **❑ Increase for special effects and computer animation**

The qualified labour expenditure incurred by a qualified corporation and related to the creation of special effects and computer animation, other than such an expenditure incurred in the context of the production of certain French-language feature films, certain documentaries and giant-screen films, gives rise to an 8% increase in tax credit rate applicable to that qualified expenditure.

To further stimulate these activities, the rate of this increase will be raised from 8% to 10%.

### **❑ Regional increase**

An increase is granted to qualified corporations established outside the Montréal region when the film is made in the regions. This specific assistance takes the form of an 8% increase in the qualified labour expenditure attributable to services provided in Québec, outside the Montréal region, in the course of making certain French-language feature films, certain documentaries and giant-screen films.

For the other categories of eligible films, this increase may reach up to 16% of the qualified labour expenditure.

To further stimulate the filming of films in Québec's various regions, the rate of this increase will be raised from 8% to 10% and from 16% to 20%, depending on the category of production concerned.

### **❑ Increase for no public financial assistance**

To facilitate the financing of productions not receiving financial assistance from a public body, the tax legislation grants a qualified corporation an 8% increase calculated on the labour expenditure of an eligible production giving rise to the refundable tax credit. For the purposes of this increase:

- an eligible production is a production that is a feature film of fiction lasting a minimum of 75 minutes of programming, a series or a miniseries each of whose episodes is a fiction production lasting a minimum of 75 minutes of programming or a stand-alone documentary lasting a minimum of 30 minutes of programming, excluding documentaries intended for minors, which may be shorter;

- financial assistance from a public body means financial assistance recognized in the tax legislation as an excluded amount of assistance for the purposes of the rules relating to government or non-government assistance in calculating the refundable tax credit for film or television production.<sup>49</sup>

Thus, for example, a production receiving financial assistance from SODEC, the National Film Board or the Canada Media Fund may not claim the increase for no public financial assistance because such assistance is recognized as excluded amounts of assistance for the purposes of calculating the tax credit.

Recognition of financial assistance as an excluded amount of interest means that such assistance does not reduce the amount of expenses eligible for the tax credit for film or television production.

This is a characteristic specific to tax credits in the cultural sector since, in general, the tax legislation provides that the amount of any financial assistance (government or non-government) that a corporation received or is entitled to receive must reduce, in particular, the amount of the eligible expenses included in the calculation of a tax credit.

However, in some situations, and despite this characteristic, the combination of the various parameter of the refundable tax credit for film or television production (level of base rates, level of increases, cap equalling 50% of production costs applicable to the labour expenditure, tax base based on labour expenditures and special treatment for public financial assistance) makes it less competitive, specifically in respect of situations where the refundable tax credit for film production services may offer an alternative for a producer.

The refundable tax credit for film production services applies to the eligible all-spend production costs relating to the various stages of making a foreign production, or a production that does not satisfy the Québec content criteria that give rise to the refundable tax credit for Québec film or television production.

The amount of the tax credit equals 20% of eligible production costs, which correspond to the total of the qualified labour cost and the cost of qualified property.

An increase for special effects and computer animation is also provided for this tax credit. It is calculated by applying a rate of 16% to the qualified labour cost of a qualified corporation related to the creation of special effects and computer animation.

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<sup>49</sup> “Financial assistance from a public body” does not include an amount received by a corporation on account of the refundable tax credit for Québec film or television production or on account of the federal Canadian Film or Video Production Tax Credit or the federal Film or Video Production Services Tax Credit, nor does it include the amount of a financial contribution by a public body that holds a broadcast licence issued by the Canadian Radio-television and Telecommunications Commission.

In the case of certain co-productions involving a foreign producer and certain productions including special effects and computer animation, the assistance provided by the tax credit for film production services may be greater than that provided by the tax credit for film or television production, despite the fact that the latter tax credit may have an advantage in respect of the calculation rules associated with excluded amounts of assistance.

To render the tax benefits resulting from the application of the tax credit for film or television production or the tax credit for film production services comparable and thus foster the production of Québec content, the increase for no public financial assistance will be modified substantially both as to its rate and its application.

■ **Hike in the rate of the increase from 8% to 16%**

The tax legislation will be amended to provide that the rate of the increase will be raised from 8% to 16% for all eligible productions.

■ **New increase determined by public financial assistance**

Currently the increase for no public financial assistance is available only if an eligible production receives no financial assistance from a public body. This condition will be adjusted.

Thus the tax legislation will be amended so that the increase, renamed “increase determined by public financial assistance,” is available in respect of an eligible production receiving financial assistance from a public body, but is reduced linearly and is determined by the following formula:

$$16\% \times \frac{(32\% - A)}{32\%}$$

In this formula, the letter A represents the proportion determined by the ratio between the total amount of financial assistance from a public body in respect of the eligible production and the total amount of the production costs attributable to the production and calculated in accordance with tax legislation.

Thus, where the proportion represented by the letter A equals 32% or more, the rate of the increase determined by financial assistance will be nil.

□ **Maximum rate**

Considering the various raises to the increases for the tax credit for film or television production, the tax legislation will be adjusted to provide for new rates for calculating the maximum assistance provided by the tax credit.

Thus the maximum rate of the tax credit for a film that is not adapted from a foreign format will be set at 66%, whereas the maximum rate of the tax credit for a film that is adapted from a foreign format will be set at 62%.

## ❑ Application date

These changes will apply to a film or television production for which an application for an advance ruling, or an application for a certificate if no application for an advance ruling was previously filed for the production, is submitted to SODEC after the day of the budget speech.

Thus the various applicable rates will now be those shown in the following table.

TABLE A.5

### Base rates and rate increases after changes<sup>(1)</sup> (per cent)

	Rate of the tax credit					Labour expenditure cap	Effective rate	
	Increases							
	Base rate	Special effects and computer animation	Regional	According to public financial assistance	Minimum rate			
		As a % of labour expenditure				As a % of production costs	Minimum	Maximum
French-language or giant-screen production that is not adapted from a foreign format	40	—	10	16	66	50	20	33
French-language or giant-screen production that is adapted from a foreign format	36	—	10	16	62	50	18	31
Other production that is not adapted from a foreign format	32	10	20	16	66	50	16	33
Other production that is adapted from a foreign format	28	10	20	16	62	50	14	31

(1) The notes of the preceding table apply to this table, with the necessary adaptations.

## 2.7 Changes to the refundable tax credit for film production services

The refundable tax credit for film production services applies, in general, to eligible production costs relating to the various stages of making a foreign production or a Québec production that, for example, does not satisfy the Québec content criteria that give rise to the refundable tax credit for Québec film or television production.

A corporation with an establishment in Québec that wishes to claim the tax credit must obtain the required certificates from the Société de développement des entreprises culturelles (SODEC).

In addition, the tax assistance offered is different depending on whether a film qualifies as an eligible production or an eligible small-budget production.

### **❑ Eligible production**

In general, the base tax credit is calculated at a rate of 20% on all of the eligible production costs incurred by a qualified corporation in Québec and attributable to the various stages of making an eligible production. Eligible production costs correspond to the total of the qualified labour cost and the cost of qualified property.

The increase for special effects and computer animation for an eligible production is calculated at a rate of 16% on the qualified labour cost, provided such cost is directly attributable to activities related to the creation of special effects and computer animation for use in the eligible production.

For a film to be recognized as an eligible production, the following conditions must be met:

- the film belongs to one of the following categories of eligible films:
  - fiction films, including films that are composed entirely of sketches each of which is drawn in its entirety from a screenplay and that are specially conceived and arranged for television,
  - documentaries lasting a minimum of 30 minutes of programming or, in the case of a series, 30 minutes of programming per episode, excluding documentaries intended for minors, which may be shorter;
- no part of the film belongs to a category that is not a category of eligible films;
- the film is not recognized as an eligible small-budget production.

### **❑ Eligible small-budget production**

Tax assistance may also be granted in the case of an eligible small-budget production, such assistance then being limited to the increase for special effects and computer animation calculated at a rate of 16% on the qualified labour expenditure directly attributable to activities related to the creation of special effects and computer animation.

For a film to be recognized as an eligible small-budget production, the following conditions must be met:

- the film belongs to a category of eligible films, that is, the two categories described for the purposes of the tax credit for eligible productions, plus magazine- and variety-type programs satisfying certain conditions;
- no part of the film belongs to a category that is not a category of eligible films;



- the film's production costs do not exceed:
  - \$100 000 in the case of a film that is part of a series of television productions in multiple episodes, or that is the pilot of such a series of episodes, where the running time is less than 30 minutes, and \$200 000 in other cases,
  - in the case of a film not covered by the preceding subparagraph, \$1 million.

Eligibility for the base tax credit will be facilitated, firstly, by eliminating the category of eligible small-budget productions and, secondly, so as to foster, in particular, the emergence of virtual reality and augmented reality productions, by lowering the entry threshold determined based on production costs in the category of eligible productions.

### **❑ A single category of eligible productions**

When the tax credit was broadened in 2009, no change was made to the calculation of the increase for special effects and computer animation in the case of an eligible small-budget production.

Thus the assistance continues to apply solely to the qualified labour expenditure attributable to activities related to the creation of special effects and computer animation, and not to the qualified labour cost attributable to such activities, which also includes the payroll taxes on salaries or wages and the cost of any service contract incurred by the corporation with a supplier of services.

Furthermore, foreign producers do not produce in Québec magazine- and variety-type programs, which are not eligible for the refundable tax credit for film production services except as eligible small-budget production, such programs being, moreover, unlikely to include special effects and computer animation. Québec producers of such programs will instead find it more to their advantage to claim the refundable tax credit for Québec film or television production, whose base rate is applicable to the qualified labour expenditure in addition to offering an increase for special effects and computer animation.

Furthermore, since the field of special effects and computer animation developed and integrated into film and television productions is giving rise to numerous technological advances, including those involving virtual reality and augmented reality, the categories of productions no longer correspond to the new conditions in the making of a film.

Consequently, the category of eligible small-budget productions will be eliminated, and the only category maintained will be the category of eligible productions whose entry threshold determined based on production costs will be lowered.

Thus, for a film to be recognized as an eligible production, the following conditions must be met:

- the film belongs to one of the following categories of eligible films:
  - fiction films, including films that are composed entirely of sketches each of which is drawn in its entirety from a screenplay and that are specially conceived and arranged for television,

- documentaries lasting a minimum of 30 minutes of programming or, in the case of a series, 30 minutes of programming per episode, excluding documentaries intended for minors, which may be shorter;
- no part of the film belongs to a category that is not a category of eligible films;
- the following production costs are \$250 000 or more:
  - in the case of a film that is part of a series or miniseries, the production costs of the series or miniseries,
  - in other cases, the production costs of the film.

The rules respecting the calculation of the base tax credit and of the increase for special effects and computer animation that will apply to a film henceforth recognized as an eligible production will be those applicable to a film currently recognized as such.

For greater clarity, magazine- and variety-type programs will no longer be eligible for the refundable tax credit for film production services.

## **☐ Date of application**

The amendments to be made to the tax legislation and to the *Act respecting the sectoral parameters of certain fiscal measures* will apply in respect of an eligible production for which an application for an approval certificate is filed with SODEC after the day of the budget speech.

## **2.8 Elimination of an applicability condition for the refundable tax credit for the production of multimedia events or environments staged outside Québec**

The refundable tax credit for the production of multimedia events or environments staged outside Québec applies to the labour expenditure relating to certain services provided in Québec and inherent in the making of an eligible production.

Briefly, a qualified corporation may claim a tax credit equal to 35% of the qualified labour expenditure it incurs to make an eligible production. However, the labour expenditure giving rise to the tax credit may not exceed 50% of the production costs. In addition, the tax credit granted regarding an eligible production is limited to \$350 000.

For a multimedia event or environment to be recognized as an eligible production, certain conditions must be met. Thus, among other elements:

- the multimedia event or environment must offer an educational or cultural experience and be staged for entertainment rather than advertising purposes;
- in the case of a multimedia event, it is reasonable to expect that, over a three-year period beginning with its first public performance, it will be staged primarily in entertainment venues located outside Québec;

- in the case of a multimedia environment, it is carried out under a contract that covers the design and production of such an environment to be staged outside Québec and that the corporation entered into with a person that does not have an establishment in Québec and with which it is dealing at arm's length.

To further support the international growth potential of Québec companies while simplifying the application of this tax incentive, the *Act respecting the sectoral parameters of certain fiscal measures* will be amended so that, in the case of a multimedia environment, the condition concerning the absence of an establishment in Québec for the co-contractor is eliminated.

Thus, to be recognized as an eligible production of a corporation, a multimedia environment must, among other things, be created under a contract that the corporation entered into with a person with which it is dealing at arm's length.

This change will apply in respect of an eligible production whose first public performance takes place after the day of the budget speech and for which an application for an advance ruling or an application for a certificate is submitted to the Société de développement des entreprises culturelles after that day.

## **2.9 Streamlining of the refundable tax credit for corporations specialized in the production of multimedia titles**

The refundable tax credit for corporations specialized in the production of multimedia titles (hereinafter, "tax credit—specialized component") applies to a qualified labour expenditure of a qualified corporation, to which is applied a percentage that varies depending on the category of multimedia titles it produces.

A corporation with an establishment in Québec that wishes to claim the tax credit—specialized component must, in particular, obtain a specialized corporation certificate from Investissement Québec.

In general, the specialized corporation certificate that is issued to a corporation for a taxation year certifies that at least 75% of the activities it carries on in Québec consist in producing eligible titles for itself or on behalf of another person or a partnership and, if applicable, in carrying out scientific research and experimental development relating to such titles (hereinafter, "75% criterion"). It also indicates, as applicable:

- either that at least 75% of the eligible titles that the corporation produced in the year are intended for commercialization, are available in a French version and are not vocational training titles, or that at least 75% of its gross income for the year comes from such eligible titles;
- either, where the preceding paragraph does not apply, that at least 75% of the eligible titles that the corporation produced in the year are intended for commercialization and are not vocational training titles, or that at least 75% of its gross income for the year comes from such eligible titles;

— that, firstly, less than 75% of the eligible titles that the corporation produced in the year are intended for commercialization and are not vocational training titles, and that, secondly, less than 75% of its gross income for the year comes from such eligible titles.

The rates of the tax credit—specialized component that are shown in the following table are established based on the parameters described above (hereinafter, “parameters used to determine the tax credit rates”).

TABLE A.6

**Categories and rates**  
(per cent)

	<b>Base tax credit</b> (depending on the qualified labour expenditure)	<b>Plus: Premium for French</b> (if applicable)
<b>Category 1</b>		
Multimedia title that is intended for commercialization and is not a vocational training title	30.00	7.50
<b>Category 2</b>		
Other multimedia title, including a vocational training title	26.25	—

Furthermore, to be recognized as an eligible multimedia title, a title must meet certain conditions. More specifically, a part of another multimedia title is deemed an eligible multimedia title for a Québec subcontractor only if it is a component of another title produced by a corporation that does not have an establishment in Québec and if it is shown, to the satisfaction of Investissement Québec, that the other title is an eligible multimedia title.

However, a part of another multimedia title does not constitute an eligible multimedia title for a Québec subcontractor if it is a component of another title produced by a corporation with an establishment in Québec. This is to ensure that only one corporation will be eligible for the purposes of the tax credit in respect of an eligible multimedia title.

In this latter case, this same restriction on the eligibility of a part of a multimedia title is used for the purposes of the 75% criterion and the parameters used to determine the tax credit rates.

Consequently, the 75% criterion may not be satisfied if the Québec subcontractor produces, among other things, parts of titles for another corporation with an establishment in Québec.

Likewise, the Québec subcontractor may not be able to claim, in particular, the premium for French respecting eligible multimedia titles offered in a French version in respect of which it could claim a tax credit, even though the parts of titles that make up eligible multimedia titles produced by another corporation with an establishment in Québec are in a French version.

In order for a subcontractor with an establishment in Québec to be able to avail itself of the tax credit—specialized component and claim the 37.5% or 30% rate, as applicable, in respect of a multimedia title—a title that is eligible according to the current rules regarding, in particular, a part of a multimedia title—that it produces, while carrying out a part of its multimedia title production work for another qualified Québec corporation, the *Act respecting the sectoral parameters of certain fiscal measures* will be amended to provide that, solely for the purposes of the 75% criterion and the parameters used to determine the tax credit rates, a part of another multimedia title will be deemed an eligible multimedia title, even though it is a component of another title produced by a corporation with an establishment in Québec if it is shown, to the satisfaction of Investissement Québec, that the other title is an eligible multimedia title.

The changes will apply to an application for a specialized corporation certificate submitted to Investissement Québec after the day of the budget speech.

## **2.10 Renewal and improvement of the refundable tax credits aimed at encouraging the creation of new financial services corporations**

As part of the March 20, 2012 budget speech, two refundable tax credits were introduced to encourage the creation of new corporations in the financial services sector.<sup>50</sup> Thus, under the tax legislation:

- a qualified corporation may claim a tax credit for the hiring of employees in respect of whose duties an eligibility certificate has been issued by the Minister of Finance. This tax credit represents 24% of the eligible salary that the corporation pays to an eligible employee during a taxation year included in a five-year period of eligibility for the tax credit. The tax credit is limited to \$24 000 per eligible employee per year;
- a qualified corporation may claim a tax credit representing 32% of the eligible expenses it incurs during a taxation year included in the five-year period. The total eligible expenses may not exceed \$375 000 annually, which means that the tax credit is limited to \$120 000 per year.

To qualify these two tax credits, a corporation must hold a corporation qualification certificate issued by the Minister of Finance. For this purpose, the corporation must show that its net shareholders' equity shown in its financial statements for its fiscal period preceding the fiscal period during which its certificate application is submitted is less than \$15 million calculated according to the usual rules, taking into account the net shareholders' equity as shown in the financial statements of the corporations with which it is associated. Likewise, the corporation must show that its activities consist in eligible activities and prove that they are not the continuation of activities performed by another person or partnership.

<sup>50</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2012-2013 – Additional Information on the Fiscal Measures of the Budget*, March 20, 2012, pp. 42-48.

In order to encourage the creation of new financial services corporations and maintain the vitality of this industry in Québec, two changes will be made concerning the period during which applications can be made for corporation qualification certificates and the nature of the expenses eligible for the tax assistance.

### **❑ Extension of the time limit for submitting an application for a corporation qualification certificate**

In order for a corporation to be eligible for the refundable tax credits aimed at encouraging the creation of new financial services corporations, the application for a corporation qualification certificate must be submitted to the Minister of Finance no later than December 31, 2017. This time limit will be extended by five years.

Consequently, the *Act respecting the sectoral parameters of certain fiscal measures* will be amended so that an application for a corporation qualification certificate can be submitted to the Minister of Finance no later than December 31, 2022.

### **❑ Addition to eligible expenses**

Briefly, for the purposes of the refundable tax credit relating to a new financial services corporation, the following expenses constitute eligible expenses, provided they are directly attributable to the eligible activities of the corporation:

- the fees relating to the constitution of the initial regulatory file submitted to a recognized regulatory or self-regulatory organization of a financial market;
- the fees relating to the constitution of the initial file for participation in a stock exchange;
- the duties, dues and charges paid to a recognized regulatory or self-regulatory organization of a financial market;
- the duties and costs as a participant in a stock exchange;
- the connection and usage fees for an electronic trading solution for participation in a stock exchange;
- the subscription fees for a research or financial analysis tool or service.

In order to further assist new financial services corporations to meet the requirements of a recognized regulatory or self-regulatory organization of a financial market, the tax legislation will be amended to add two new eligible expenses.

More specifically, the fees relating to the constitution of a prospectus required by a recognized regulatory or self-regulatory organization of a financial market will now be eligible.

In addition, the fees paid to a compliance consultant to ensure compliance with the requirements of a recognized regulatory or self-regulatory organization of a financial market will also be eligible.

More specifically, these expenses must be directly attributable to the eligible activities of the corporation in order to be eligible.

These changes will apply in respect of expenses incurred by a qualified corporation for a taxation year included, in whole or in part, in the period of validity of its corporation qualification certificate and after the day of the budget speech.

## **2.11 Broadening of the refundable tax credit for the production of ethanol in Québec**

In order to foster the diversification of Québec's energy supplies, a refundable tax credit for the production of ethanol in Québec was introduced in the April 21, 2005 budget speech.<sup>51</sup>

Briefly, this tax credit is granted to a qualified corporation for a maximum eligibility period of ten years beginning no earlier than April 1, 2006 and ending no later than March 31, 2018 in respect of the eligible production of ethanol in Québec by the qualified corporation. The maximum tax credit amount, for a particular month, is \$0.185 per litre produced.

The tax credit is determined by multiplying, for each month of a particular taxation year, the eligible ethanol produced during that month, expressed in litres, by a rate that varies depending on the average monthly price of crude oil. No tax credit is granted, for a particular month, where the average monthly price of a barrel of crude oil is at or above US\$65.

The monthly amount of the tax credit is calculated according to the following formula:

$$A \times [\$0.185 - (\$0.0082 B + \$0.004 C)].$$

In this formula:

- the letter A represents the eligible ethanol produced by the qualified corporation in a particular month, expressed in litres, or the qualified corporation's monthly production ceiling for the particular month, whichever is less;
- the letter B represents, where the average monthly price of crude oil is above US\$31, the difference between that average monthly price, up to US\$43, and US\$31;
- the letter C represents, where the average monthly price of crude oil is above US\$43, the difference between that average monthly price, up to US\$65, and US\$43.

In respect of a particular month, the "average monthly price of crude oil" is the arithmetic mean of the daily closing values, for the particular month, on the New York Mercantile Exchange (NYMEX) of the price per barrel of West Texas Intermediate in Oklahoma (WTI-Cushing), expressed in US dollars.

<sup>51</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2005-2006 – Additional Information on the Budgetary Measures*, section 1, pp. 91-96.

In respect of a qualified corporation, for a particular month, the “eligible ethanol produced” is the number of litres of eligible ethanol that the qualified corporation produced in Québec and sold in Québec, during its period of eligibility, to the holder of a collection officer’s<sup>52</sup> permit issued under the *Fuel Tax Act*, where the permit holder takes possession of it during the particular month, and that is intended for Québec.

Furthermore, in its 2030 Energy Policy tabled April 7, 2016, the Québec government made a commitment to introduce minimum standards to promote renewable content in petroleum products distributed in Québec.

To facilitate the deployment of the guidelines spelled out in this policy, the refundable tax credit for the production of ethanol in Québec will be modified so that the “eligibility period” no longer refers to a maximum period of ten years and production of biodiesel fuel by a qualified corporation can now qualify for this tax credit.

### **□ Eligibility period**

Under the tax legislation, the tax credit is granted to a qualified corporation for an eligibility period beginning no earlier than April 1, 2006 and ending no later than March 31, 2018. However, a qualified corporation may not claim the tax credit for a period exceeding ten years.

To encourage the production of biofuel, the condition respecting the maximum period of ten years will be eliminated. Thus a qualified corporation that begins carrying on an ethanol production business in Québec on April 1, 2006 can claim the refundable tax credit for a maximum period of 12 years ending on March 31, 2018.

This change will apply to a qualified corporation whose taxation year ends after the day of the budget speech.

### **□ Eligibility of biodiesel fuel for the tax credit**

Biodiesel fuel, like ethanol (also called bioethanol), is considered a biofuel derived from biomass, that is, a liquid or gaseous fuel produced by processing non-fossil organic materials, such as vegetable or animal raw material.

Biofuels are generally mixed with conventional fuels of fossil origin, bioethanol being used in gasoline engines and biodiesel fuel in diesel engines.

To support Québec production of biodiesel fuel and thus increase the proportion of renewable content in fuels and gasolines sold in Québec, the tax legislation will be amended so that the tax credit is broadened to apply to qualified corporations carrying on a biodiesel fuel production business.

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<sup>52</sup> A collection agent is any person, other than a retailer, that sells or delivers fuel—or causes fuel to be delivered—in Québec.



## ■ Qualified corporation

Any corporation other than an excluded corporation that, during a taxation year, has an establishment in Québec where it carries on a biodiesel fuel production business may, under certain conditions, claim the refundable tax credit for that year.

For this purpose, an “excluded corporation,” for a taxation year, is a corporation exempt from tax, or a Crown corporation or a wholly-controlled subsidiary of such a corporation.

## ■ Eligible production of biodiesel fuel

For the purposes of the refundable tax credit, the term “biodiesel fuel” will have the same meaning as that assigned to it by the *Fuel Tax Act* and will therefore designate any oxygenated ester- or ether-based fuel derived from vegetable oils or animal fats.<sup>53</sup>

In addition, biodiesel fuel must be produced after March 31, 2017 and before April 1, 2018 to be eligible for the tax credit.

Furthermore, the term “eligible biodiesel fuel production” will designate, in respect of a qualified corporation, for a particular month, the number of litres of biodiesel fuel that the qualified corporation produced in Québec and sold in Québec, during its eligibility period, to the holder of a collection officer’s permit issued under the *Fuel Tax Act* (hereinafter, “acquirer”), where the permit holder takes possession of it during the particular month, and that is intended for Québec.

In that respect, biodiesel fuel will be considered intended for Québec where the shipping manifest,<sup>54</sup> issued to the acquirer when it takes possession of its load of biodiesel fuel, indicates that the fuel’s destination is in Québec or, if the qualified corporation takes charge of delivering the biodiesel fuel to the acquirer, where such delivery and the taking of possession by the acquirer occur in Québec.

For greater clarity, it is not until the date on which the acquirer takes possession of it that the eligible biodiesel fuel produced by a qualified corporation may be considered eligible biodiesel fuel production

## ■ Terms and conditions of the tax credit

The terms and condition currently provided for in the tax legislation for the calculation of the refundable tax credit for the production of ethanol in Québec will apply, with the necessary adaptations, to eligible biodiesel fuel production. Thus the maximum amount of the tax credit, for a particular month, will also be \$0.185 per litre.

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<sup>53</sup> *Fuel Tax Act*, s. 1, para. 1, subpara. a.2.

<sup>54</sup> A shipping manifest is generally used to facilitate verification of a certain number of the acquirer’s obligations.

The monthly production ceiling applicable to biodiesel fuel, for a particular month, will correspond to a daily production of 345 205 litres, multiplied by the number of days in the particular month. Thus, for a 30-day month, the monthly biodiesel fuel production ceiling will be 10 356 150 litres.

Associated corporations will be required to allocate among themselves, for each month, the monthly biodiesel fuel production ceiling and file an agreement for that purpose with Revenu Québec, according to the usual rules.

In order to claim this refundable tax credit for a taxation year, a qualified corporation will have to enclose with its tax return for that year a form prescribed by Revenu Québec, as well as a report indicating, for each month in its taxation year, the biodiesel fuel produced in Québec and the average monthly crude oil price used for the purposes of determining the tax credit.

### ■ **Exclusion of the tax credit for investments relating to manufacturing and processing equipment**

Briefly, a qualified corporation that makes an eligible investment during a taxation year can claim a tax credit for investments for that year in respect of that investment.

The property used in the course of operating a biodiesel fuel production plant will not be eligible for the tax credit for investments relating to manufacturing and processing equipment.

### ■ **Treatment of government or non-government assistance**

Under the current rules, the refundable tax credit amount that a qualified corporation may claim must be reduced by the amount of any government or non-government assistance or any profit or advantage.

However, for the purposes of the tax credit for biodiesel fuel production, government or non-government assistance will not include:

- any amount deemed to have been paid to the Minister of Revenue for a taxation year under this refundable tax credit;
- the amount of financial assistance attributable to a labour training program;
- the amount of federal government assistance directly attributable to the biodiesel fuel industrial segment, in particular in respect of market expansion, process improvement, energy efficiency and changing raw materials.

### ■ **Application dates and eligibility period**

Subject to the following, these changes will apply to biodiesel fuel produced by a qualified corporation after March 31, 2017.

The tax credit will be granted, for a temporary period beginning no earlier than April 1, 2017 and ending no later than March 31, 2018, in respect of eligible biodiesel fuel production by a qualified corporation.

Also, for greater clarity, the biodiesel fuel produced by a corporation before April 1, 2017 may not be included in the corporation's eligible biodiesel fuel production, even if the biodiesel fuel is sold and the acquirer takes possession of it after March 31, 2017 and before April 1, 2018.

Likewise, eligible biodiesel fuel that is sold by a corporation and that the acquirer takes possession of after March 31, 2018 may not be included in the corporation's eligible biodiesel fuel production, even if the eligible biodiesel fuel is produced by a corporation after March 31, 2017 and before April 1, 2018.

Where the biodiesel fuel produced in Québec after March 31, 2017 from eligible renewable matter (subsequent production) is stocked with biodiesel fuel produced by the corporation or acquired by it before that day (prior stock), the first-in, first-out rule will be applied to this prior stock for the purposes of the tax credit.

As for the exclusion of the tax credit for investments relating to manufacturing and processing equipment, it will apply in respect of property acquired as of April 1, 2017.

## **2.12 Increased recognition of major investments by Fondaction in social economy enterprises**

Since the creation of Fondaction, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, the government has supported the fund's growth by granting a non-refundable tax credit to individuals who become shareholders in the fund.

The financing of Fondaction being facilitated by the granting of a tax benefit, an investment requirement was included in its statute of incorporation to ensure, in particular, that the funds collected are used as a financing tool contributing to the development of Québec entities.

According to this requirement, for any fiscal year, the eligible investments must represent, on average, at least 62%<sup>55</sup> of the fund's average net assets for the preceding fiscal year.

If it does not meet its investment requirement for a particular fiscal year, Fondaction is systematically limited in its capacity to issue shares during the following fiscal year.

In carrying out its mission, Fondaction invests in companies involved in a participative management process as well as social economy enterprises consisting of cooperatives or non-profit organizations. It also supports businesses that are sensitive to the environment and more sustainable development.

To reflect the importance of the role that Fondaction plays in Québec's economy, various amendments have been made to its statute of incorporation over the years. A number of these changes were aimed at rendering the different categories of eligible investments for the purposes of the fund's investment requirement better adapted to the capital requirements of Québec companies.

<sup>55</sup> This percentage must, for each fiscal year beginning after May 31, 2017, increase by one percentage point until it reaches 65%.

To enable Fondation to participate in major projects with a structuring effect on Québec's economy, its statute of incorporation provides that investments that include no security or hypothec made by the fund in a partnership or legal person and that consist of an initial capital outlay of at least \$25 million or an additional capital outlay are considered eligible investments, provided that the strategic value of the initial capital outlay and of any additional capital outlay was recognized by the Minister of Finance and that such investments are not investments otherwise eligible.

However, the maximum share of Fondation's net assets that may be allocated to major investments for the purposes of its investment requirement to a particular fiscal year is set at 10% of its net assets at the end of the preceding fiscal year.

To better reflect Fondation's mission, the maximum share of its net assets that it may allocate to major investments for the purposes of its investment requirement to a particular fiscal year must be calculated without taking into account major investments in social economy enterprises, within the meaning of the *Social Economy Act*.

This change will apply to any fiscal year of Fondation beginning after May 31, 2016.

## **2.13 Increase to eligible investments by Capital régional et coopératif Desjardins in the Société en commandite Eссор et Coopération**

The mission of Capital régional et coopératif Desjardins is to marshal development capital for Québec's resource regions and the cooperative movement.

Since its creation, the government has supported the mission of Capital régional et coopératif Desjardins by enabling it to raise capital enjoying a tax benefit in the form of a non-refundable tax credit granted to individuals who become its shareholders.

To reflect the fact that the financing of this investment fund is facilitated by granting a tax benefit, a number of measures have been taken to regulate the organization of the fund, to protect investors in the fund and to ensure that the fund adheres to its mission.

Given the mission of Capital régional et coopératif Desjardins, its statute of incorporation requires that, for each fiscal year, its eligible investments must represent, on average, at least 62%<sup>56</sup> of its average net assets for the preceding fiscal year, and that at least 35% of this percentage must be made in eligible cooperatives or in entities located in Québec's resource regions.<sup>57</sup>

If it does not meet its investment requirement for a particular fiscal year, the fund is systematically limited in its capacity to issue shares during the following fiscal year.

Over the years, various changes have been made to the terms and conditions for calculating the investment requirement of Capital régional et coopératif Desjardins and the different categories of investments that are eligible in order to better adapt this requirement to the fund's mission and the capital needs of Québec companies.

Thus, further to the creation in December 2012 of the Société en commandite Eссор et Coopération grouping together various partners wishing to support the creation, growth and capitalization of cooperatives in Québec, the *Act constituting Capital régional et coopératif Desjardins* was amended so that investments<sup>58</sup> made by the fund in the limited partnership—as well as the investments that are agreed upon and for which funds have been committed but not yet disbursed at the end of a particular fiscal year—would be considered, up to a maximum of \$40 million, eligible investments for the purposes of calculating the fund's investment requirement for any fiscal year beginning after December 31, 2012.

In addition, in view of the objectives of the Société en commandite Eссор et Coopération, it was also stipulated that the investments made by Capital régional et coopératif Desjardins in this limited partnership, including the investments agreed upon, would be considered to have been made in eligible cooperatives for the purposes of the regional component of the investment requirement.

Also, to reflect the fact that Capital régional et coopératif Desjardins intends to raise its total investments in the Société en commandite Eссор et Coopération from \$40 million to \$85 million, certain amendments will be made to its statute of incorporation.

More specifically, the *Act constituting Capital régional et coopératif Desjardins* will be amended so that the aggregate of all investments not including any security or hypothec that may be made by the fund in the Société en commandite Eссор et Coopération and taken into account for the purposes of calculating the investment requirement, for a particular fiscal year beginning after December 31, 2016, may total \$85 million.

<sup>56</sup> This percentage must, for each fiscal year beginning after December 31, 2017, increase by one percentage point until it reaches 65%.

<sup>57</sup> For the purposes of the regional component of the investment requirement of Capital régional et coopératif Desjardins, the regions of Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay-Lac-Saint-Jean are considered resource regions. In addition, for the purposes of this component, eligible investments are considered to have been made in entities located in Québec's resource regions if they were made after December 31, 2013 and before January 1, 2018, in an entity located in the regional county municipalities of Acton, Antoine-Labelle, Argenteuil, Coaticook, L'Islet, La Vallée-de-la-Gatineau, Matawinie, Montmagny, Papineau, Pontiac, Les Appalaches, Les Etchemins, Les Sources, Le Granit, Le Haut-Saint-François and Le Haut-Saint-Laurent.

<sup>58</sup> Such investments may not include any security or hypothec.

In addition, the investments that Capital régional et coopératif Desjardins has agreed upon, for which it has committed but not yet disbursed sums at the end of a particular fiscal year beginning after December 31, 2016, will be deemed to have been made by the fund in the Société en commandite Eссор et Coopération.

However, for the purposes of calculating the investment requirement for a particular fiscal year, the aggregate of the those investments agreed upon and the investments that, had they been made by the fund, would have been described in one of subparagraphs 1 to 4 and 6 of the fifth paragraph or in the sixth paragraph of section 19 of the *Act constituting Capital régional et coopératif Desjardins* may not exceed 12% of the fund's net assets at the end of the preceding fiscal year.

### 3. OTHER MEASURES

#### 3.1 Extension of the compensation tax for financial institutions and maintenance of rates for an additional five-year period

A financial institution must pay, for a taxation year beginning before April 1, 2019, a compensation tax that is calculated using two tax bases: amounts paid as wages, and payable or taxable insurance premiums, as applicable (including amounts established in respect of insurance funds).

The rates of the compensation tax applicable to these tax bases have been modified at various times over the years, with the most recent change having been made in *Information Bulletin 2014-11*.<sup>59</sup> At that time, the rates were increased for the period from December 3, 2014 to March 31, 2017. After that date, it is provided that the rates will be lowered and the compensation tax will be eliminated as of March 31, 2019.<sup>60</sup>

The following table presents the different rates applicable to each of the tax bases of the compensation tax for financial institutions.

TABLE A.7

#### **Rates of the compensation tax for financial institutions** (per cent)

	<b>From December 3, 2014 to March 31, 2017</b>	<b>From April 1, 2017 to March 31, 2019</b>
Amounts paid as wages		
– Bank, loan corporation, trust corporation or corporation trading in securities	4.48	2.80
– Savings and credit union	3.52	2.20
– Any other person <sup>(1)</sup>	1.44	0.90
Insurance premiums and amounts established in respect of an insurance fund	0.48	0.30

(1) Excluding an insurance company and a professional order that created an insurance fund under section 86.1 of the *Professional Code*. In addition, a financial institution that has not made the joint election provided for in section 150 of the *Excise Tax Act* is no longer subject thereto as of January 1, 2013.

In order to consolidate the funding of public services, two amendments will be made to the tax legislation in order to extend the application period of the compensation tax and maintain the rates of the compensation tax at their current level for an additional five-year period.

<sup>59</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2014-11*, December 2, 2014, pp. 15-19.

<sup>60</sup> MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC, *Budget 2013-2014 – Budget Plan*, November 20, 2012, pp. H.43-H.46.

## ❑ Extension of the application period

It is currently provided that the compensation tax for financial institutions will be eliminated as of March 31, 2019. This period will be extended by five years.

Consequently, the application period of the compensation tax for financial institutions is extended until March 31, 2024.

## ❑ Maintenance of rates

The current compensation tax rates will be maintained for an additional period of five years and will continue to apply until March 31, 2022.

The 2.8%, 2.2%, 0.9% and 0.3% compensation tax rates initially prescribed for the period beginning April 1, 2017 will apply to their respective tax bases for the period from April 1, 2022 to March 31, 2024.

The table below shows the new rates of the compensation tax for financial institutions applicable according to the period concerned.

TABLE A.8

### Rates of the compensation tax for financial institutions (per cent)

	From December 3, 2014 to March 31, 2022	From April 1, 2022 to March 31, 2024
Amounts paid as wages		
– Bank, loan corporation, trust corporation or corporation trading in securities	4.48	2.80
– Savings and credit union	3.52	2.20
– Any other person <sup>(1)</sup>	1.44	0.90
Insurance premiums and amounts established in respect of an insurance fund	0.48	0.30

(1) Excluding an insurance company and a professional order that created an insurance fund under section 86.1 of the *Professional Code*. In addition, a financial institution that has not made the joint election provided for in section 150 of the *Excise Tax Act* is no longer subject thereto as of January 1, 2013.

## ❑ Conditions of application

Where the taxation year of a person that is a financial institution at a particular time in the year straddles March 31, 2022, the following rules will apply:

- the rates applicable to amounts paid as wages will be the following:
  - in the case of a bank, a loan corporation, a trust corporation or a corporation trading in securities, 4.48% regarding amounts paid as wages during the portion or portions of the person's taxation year preceding April 1, 2022 during which it is a financial institution and 2.8% regarding amounts paid as wages during the portion or portions of the person's taxation year following March 31, 2022 during which it is a financial institution,



- in the case of a savings and credit union, 3.52% regarding amounts paid as wages during the portion or portions of the person's taxation year, preceding April 1, 2022 during which it is a financial institution and 2.2% regarding amounts paid as wages during the portion or portions of the person's taxation year following March 31, 2022 during which it is a financial institution,
- in the case of any other person, 1.44% regarding amounts paid as wages during the portion or portions of the person's taxation year preceding April 1, 2022 during which it is a financial institution and 0.9% regarding amounts paid as wages during the portion or portions of the person's taxation year following March 31, 2022 during which it is a financial institution;
- the rate applicable to insurance premiums and amounts established in respect of insurance funds will correspond to the aggregate of 0.48%, multiplied by the fraction obtained by dividing the number of days of the person's taxation year preceding April 1, 2022 during which it is a financial institution by the number of days of its taxation year during which it is a financial institution, and 0.3%, multiplied by the fraction obtained by dividing the number of days of the person's taxation year following March 31, 2022 during which it is a financial institution by the number of days of its taxation year during which it is a financial institution.

These rules will apply, with the necessary adaptations, for the calculation of the compensation tax where the taxation year of a person that is a financial institution at a particular time in the year straddles April 1, 2024.

### **❑ Instalments payments**

The instalment payments of a corporation and the amounts payable each month by a financial institution that is not a corporation will have to be adjusted, as necessary, according to the usual rules, in order to take into account the changes to the compensation tax.

## **3.2 Introduction of an allowance for community consultations in the Mining Tax Act**

Pursuing projects for development of natural resources located in Québec sometimes requires that the interested promoters establish processes for consultation of the communities concerned by such projects. In addition to communities, persons who own land located near the sites concerned and persons who use such land for traditional or recreational purposes may also be affected by such projects. These consultations are an important stage in responsible natural resource development.

Tax relief already exists in respect of certain expenses incurred to hold consultations with communities where such consultations concern exploration projects in the mineral, oil and gas sectors. In general, the expenses must be incurred to determine the existence, location, extent or quality of a mineral resource or an oil or natural gas deposit in order to be recognized as exploration expenses giving entitlement to the refundable tax credit for resources or the flow-through share regime for the purposes of the *Taxation Act* or the exploration allowance provided for in the *Mining Tax Act*.

However, such tax relief is not granted in situations where development projects are situated upstream from determination of the existence, location, extent or quality of a mineral resource, or where such projects are progressing toward the development or processing stages for resources resulting from fruitful exploration work. Yet such activities may also necessitate the establishment of consultation processes.

To provide additional support to businesses at various stages in the development of their projects, an allowance for expenses related to community consultations will be introduced into the mining tax regime.

### **❑ Mining tax regime**

Under the *Mining Tax Act*, an operator must pay, for a fiscal year, mining duties corresponding to its minimum mining tax for the fiscal year or its mining tax on its annual profit for the fiscal year, whichever is greater.

An operator's mining tax on its annual profit for a fiscal year is equal to the sum of the amounts obtained by applying each of the tax rates of 16%, 22% and 28% to a segment of the operator's annual profit for the fiscal year determined on the basis of its profit margin<sup>61</sup> for the fiscal year.

Briefly, an operator's annual profit for a fiscal year is established by subtracting, from the aggregate annual earnings in respect of each mine it operates during the fiscal year, certain expenses and allowances relating to its mining operation for the fiscal year, such as the exploration allowance and the pre-production development allowance.

### **❑ Allowance for community consultations**

The *Mining Tax Act* will be amended to introduce an allowance for community consultations. This allowance will be taken into account in calculating the operator's annual profit or annual loss.

The amount that an operator may deduct as an allowance for community consultations may not exceed the balance of its cumulative consultation expense account at the end of the fiscal year, on the same basis as the pre-production development allowance.

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<sup>61</sup> An operator's profit margin for a fiscal year is equal to the proportion represented by the ratio between the operator's annual profit for the fiscal year and the aggregate of all amounts each of which is the gross value of the operator's annual output for the fiscal year in respect of each mine it operates.

For this purpose, a cumulative expense account for community consultations will be created. These cumulative consultation expenses will correspond to 50% of the aggregate of all amounts each of which represents expenses for community consultations incurred by the operator. The treatment applicable to government assistance received, receivable or repaid and related to eligible expenses will be based on the same principles as those currently applicable to the pre-production development allowance.<sup>62</sup>

The community consultation expenses covered by this allowance will be of the same type as those covered by the concept of community consultation expenses found in the definition of “Canadian exploration expense” in the *Income Tax Act*.<sup>63</sup> for the purpose of simplifying the application of the tax provisions. This allowance will not, however, cover the amounts paid under an agreement on repercussions or advantages or to enter into such an agreement.

Furthermore, expenses that may qualify as exploration expenses and expenses that may reasonably be considered to be attributable to a mine which has come into production in reasonable commercial quantities may not be considered for the purposes of the allowance for community consultations.

Finally, for greater clarity, the provisions common to allowances<sup>64</sup> will also apply to this allowance.

The allowance for community consultations will apply to an operator’s fiscal year ending after the day of the budget speech, in respect of consultation expenses incurred after that day.

## ■ Refundable duties credit for losses

Where an operator sustains an annual loss rather than earning an annual profit for a fiscal year, it may claim, for that fiscal year, a refundable duties credit for losses that may not exceed 16% of the lesser of the following amounts:

— the amount of its adjusted annual loss for the fiscal year;

<sup>62</sup> The treatment applicable to government assistance under the pre-production development allowance is provided for in subparagraph *b* of subparagraph 1 and subparagraph *b* of subparagraph 2 of the second paragraph of section 16.11 of the *Mining Tax Act*.

<sup>63</sup> Subsection 66.1(6), definition of “Canadian exploration expense,” paragraphs *a* and *f*. It should be noted that on March 26, 2015, the Minister of Finance of Québec announced the harmonization of Québec’s tax legislation with federal tax legislation respecting the qualification of community consultations as Canadian exploration expenses. (MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2015-2016 – Additional Information 2015-2016*, March 26, 2015, p. A.74.)

<sup>64</sup> *Mining Tax Act*, ss. 16.14 to 16.18.

- an amount corresponding to the pre-production development expenses<sup>65</sup> it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the pre-production development allowance, to which is added, if the operator is an eligible operator for the fiscal year, 50% of the amount corresponding to the exploration expenses<sup>66</sup> it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the exploration allowance.

Changes will be made to the refundable duties credit for losses of an operator to take into account the introduction of the allowance for community consultations.

Consequently, the refundable duties credit for losses that an operator may claim for a fiscal year ending after the day of the budget speech may not exceed 16% of the lesser of the following amounts:

- the amount of its adjusted annual loss for the fiscal year;
- an amount corresponding to the pre-production development expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the pre-production development allowance, as well as an amount corresponding to the consultation expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the allowance for community consultations, to which is added, if the operator is an eligible operator for the fiscal year, 50% of the amount corresponding to the exploration expenses it incurred for the fiscal year, without exceeding the amount it deducted for the fiscal year on account of the exploration allowance.

For greater clarity, the other rules applicable to the calculation of the refundable duties credit for losses that an operator may claim for a fiscal year remain unchanged.

### **3.3 Use of the territorial designation of the Northern Plan in the various tax measures specific to the mining sector**

The objective of the Northern Plan is to develop the mining, energy, social, cultural and tourism potential of Québec's northern regions. The territory covered by the initiatives of the Northern Plan encompasses all of Québec located north of 49° north latitude and north of the St. Lawrence River and the Gulf of Saint Lawrence.

Furthermore, Québec's tax system includes various provisions for the mining, oil and gas sectors. Some of these provisions, found in the *Taxation Act* or the *Mining Tax Act*, refer, in their application, to a specific territory within Québec.

<sup>65</sup> These expenses are the expenses referred to in subparagraph a of subparagraph 1 of the second paragraph of section 16.11 of the *Mining Tax Act*.

<sup>66</sup> These expenses are the expenses referred to in subparagraph a of subparagraph 1 of the second paragraph of section 16.9 of the *Mining Tax Act*.

For example, the *Taxation Act* grants qualified corporations a refundable tax credit for resources, the rate of which varies based on the regions where the eligible expenses were incurred by the corporation. Likewise, the *Mining Tax Act* grants an operator certain tax assistance, in calculating the mining tax, for a mine located in Northern Québec.<sup>67</sup>

The territories covered by these two statutes refer to the concepts of Far North and Near North:

- the Far North encompasses the territory located north of 55° north latitude;<sup>68</sup>
- the Near North encompasses the territory between 50°30' north latitude and 55° north latitude and bounded to the east by the Grenville Front, as well as the part of the territory of administrative region 09 (Côte-Nord), described in the *Décret concernant la révision des limites des régions administratives du Québec*, located between 59° west longitude and 66° west longitude.<sup>69</sup>

To ensure that the territorial designations assigned to the Northern Plan territory and those used in the *Taxation Act* and the *Mining Tax Act* are harmonized, the concept of Near North to which these two statutes refer will be modified to enlarge its territory southward, while the concept of Far North to which these two statutes also refer will remain unchanged.

More specifically, Near North will designate the territory located in Québec north of 49° north latitude and north of the St. Lawrence River and the Gulf of Saint Lawrence, and south of the territory of the Far North.

These changes will apply in respect of exploration expenses incurred after the day of the budget speech.

<sup>67</sup> Northern Québec encompasses the territory of Québec formed by the Near North and the Far North (*Mining Tax Act*, s. 1, 1st para., definition of “Northern Québec”).

<sup>68</sup> *Taxation Act*, s. 726.4.17.18, para. c of the definition of “northern exploration zone”; *Mining Tax Act*, s. 1, 1st para., definition of “Far North.”

<sup>69</sup> *Taxation Act*, s. 726.4.17.18, paras. a and b of the definition of “northern exploration zone”; *Mining Tax Act*, s. 1, 1st para., definition of “Near North.”



# Section B

## THE FIGHT AGAINST TAX EVASION

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## INTRODUCTION

The Québec government is actively working to maintain an economic and social environment that stimulates economic growth and collective well-being. This involves, among other things, fostering the integrity of the tax system, encouraging healthy competition in the different sectors of the economy and ensuring fair and adequate funding of public services.

The Québec government is making substantial efforts to fight tax evasion and narrow the gap between tax revenue owed to the government and the revenue actually collected. This gap, equivalent to tax losses, comes from sources that can be differentiated according to their type.

This section briefly presents the sources of tax losses in Québec and details the results of concerted actions to fight tax evasion. At a time when the economic environment is rapidly changing, the section explains new initiatives that the government is taking to optimize government revenues. To protect the government's tax base and ensure that everyone contributes fairly to funding public services, the Québec government is adapting its actions to recent changes in the economy.

Furthermore, Revenu Québec is a key player in the collection of the government's revenue and is at the nexus of the interaction between the government and citizens. Actions have been taken by Revenu Québec to increase its efficiency in delivering services to the population and to improve its relations with taxpayers.



# 1. SOURCES AND EXTENT OF TAX LOSSES

A part of the revenue owed to the government escapes taxation because taxpayers, individuals or businesses, do not comply with the tax rules. Such non-compliance takes various forms. This section offers a definition of the phenomena that result in tax losses and an estimate of their extent.

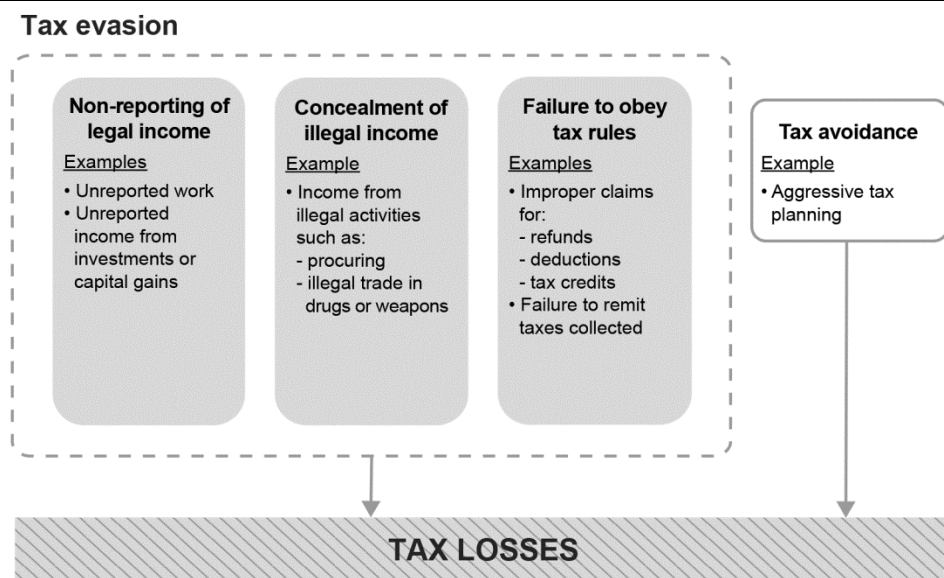
## 1.1 Sources of tax losses

The tax system is governed by a set of laws and regulations. Under these laws and regulations, the government expects to collect a certain amount of tax revenue. When taxpayers violate these laws and regulations, whether deliberately or not, the government does not collect all the tax revenue owed to it. This gap is called “tax losses.”

Tax losses result from four sources. The first three sources of tax losses have in common the fact that they result from illegal acts. “Tax evasion” explicitly refers to one or more of these three sources, whereas the fourth source involves “tax avoidance.”

ILLUSTRATION B.1

### Illustration of the sources of tax losses



Source: Ministère des Finances du Québec.

## 1.2 Estimate of the extent of tax losses in Québec

The Ministère des Finances, in collaboration with Revenu Québec, regularly produces an estimate of the tax losses stemming from unreported legal income. However, there are major obstacles that complicate the task of estimating tax losses due to the other three sources

### ❑ Tax losses stemming from unreported legal income

Tax losses stemming from legal income that taxpayers fail to report were estimated for 2015.<sup>1</sup> The method used is comparable to that employed for the estimates for 2002, 2008 and 2013.

The objective of this exercise is to target the sectors at a higher risk for tax evasion and to detect trends. This enables the government to better adapt its interventions in the fight against tax evasion.

### ❑ The results obtained

In 2015, the underground economy represented 3.4% of gross domestic product (GDP) in Québec, which is lower than estimates for previous years.

— As previously determined, the underground economy in Québec as a percentage of GDP is estimated at 3.8% for 2013, 4.2% for 2008 and 4.0% for 2002.

TABLE B.1

#### Estimate of tax losses related to unreported legal income (billions of dollars unless otherwise indicated)

	GDP in terms of spending <sup>(1)</sup>	Tax evasion rate (% of GDP)	Underground economy	Tax losses
2002	243.8	4.0%	9.7	2.5
2008	302.2	4.2%	12.8	3.5
2013	362.8	3.8%	13.7	3.9
2015 <sup>P</sup>	381.0	3.4%	13.1	3.8

P: Preliminary.

(1) Current dollars.

Sources: Statistics Canada, Revenu Québec and Ministère des Finances du Québec.

While growth in the Québec economy stood at 5.0% of nominal GDP in terms of spending between 2013 and 2015, which rose from \$362.8 billion in 2013 to \$381.0 billion in 2015, the amount of tax losses declined by 2.6% during this period, from \$3.9 billion to \$3.8 billion.

<sup>1</sup> 2015 is the most recent year for which complete data are available from Statistics Canada.

The amount of wealth legally produced but not reported to tax authorities also declined, from \$13.7 billion in 2013 to \$13.1 billion in 2015, corresponding to a reduction of about 4.4%.

This decline comes essentially from the construction sector and from audit activities in other at-risk sectors.

- Due to the construction sector's characteristics, it continues to be conducive to tax evasion. However, its weight in the Québec economy declined between 2013 and 2015.
  - The weight of this sector was 11.2% of GDP in 2015, compared to 12.9% in 2013.
  - This reduction in the weight of the construction sector led to a relatively lower volume for the underground economy in 2015 compared to 2013.
  - It should be noted, furthermore, that audit activities in this industry have also helped to reduce the underground economy.
- The principal results of the fight against tax evasion in the other at-risk sectors that have helped to reduce tax losses are due to:
  - installation of sales recording modules in the restaurant sector, which lead to a drop of more than 60% in the underground economy in this sector, from 17.5% to 6.0%;
  - intensified efforts to fight tobacco smuggling, which has reduced the underground economy in this sector by one half since 2009.



## 2. INITIATIVES TO FIGHT TAX EVASION

The initiatives taken by the government to promote integrity in the tax system and healthy competition rely on Revenu Québec's tax audit activities and on concerted actions to fight tax evasion by various government departments and bodies.

### 2.1 Concerted actions to fight tax evasion

In 2016-2017, the government funded the following concerted actions:

- the fight against the illicit tobacco trade;
- the fight against unreported work in the construction sector;
- the fight against the illicit trade in alcoholic beverages;
- the fight against economic and financial crime;
- the fight against organized networks of unreported work;
- expedited processing of special penal cases in the Court of Québec.

#### ☐ **The fight against the illicit trade in tobacco products (ACCES tobacco)**

The ACCES<sup>2</sup> tobacco committee<sup>3</sup> is aimed at dismantling smuggling networks and limiting the market share of the illicit trade in tobacco in order to, in particular, increase revenue from the specific tax on tobacco products.

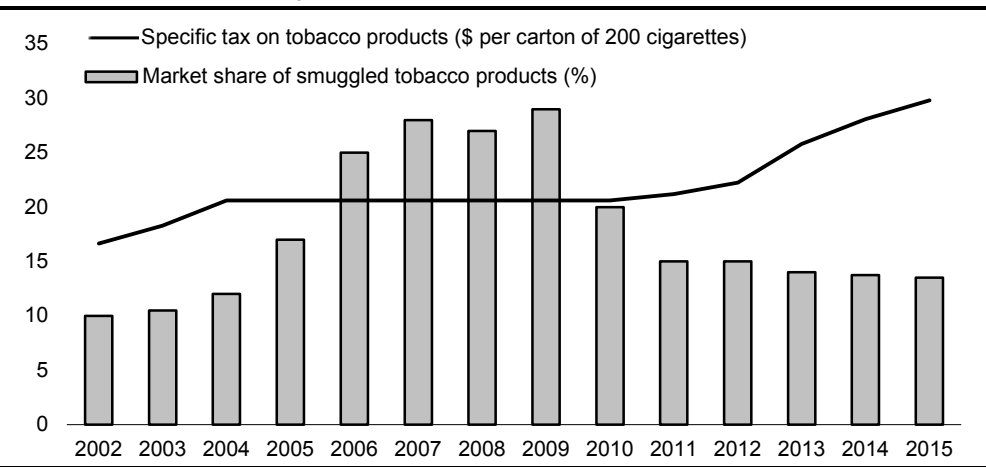
- The actions carried out by partners target all activities related to tobacco smuggling, from the supply of raw materials to the sale of tobacco products to consumers.
- Thanks to, among other things, actions by ACCES tobacco, the market share of smuggled tobacco products fell from almost 30% in 2009 to less than 15% in 2015, despite the fact that the specific tax on tobacco products was raised during that period.

<sup>2</sup> Actions concertées pour contrer les économies souterraines (concerted actions to counter the underground economy).

<sup>3</sup> ACCES tobacco brings together the Sûreté du Québec, the Service de police de la Ville de Montréal, other Québec police forces, the Association des directeurs de police du Québec, the École nationale de police du Québec, the Ministère de la Sécurité publique, Revenu Québec, the Directeur des poursuites criminelles et pénales, the Ministère de la Santé et des Services sociaux, the Ministère des Finances du Québec, as well as the Royal Canadian Mounted Police, the Canada Revenue Agency and the Canada Border Services Agency.

CHART B.1

**Change in the rate of the specific tax on tobacco products and in the market share of smuggled tobacco products**  
(dollars per carton of 200 cigarettes and per cent)



Sources: Statistics Canada, Sûreté du Québec and Ministère des Finances du Québec.

Actions by ACCES tobacco have helped to:

- increase the number of police interventions in the fight against smuggling networks, including neighbourhood networks;
- implement police surveillance on the main supply and transportation channels used by tobacco smugglers;
- adapt police interventions to the schemes used by smugglers;
- improve information sharing between different police forces and between departments and bodies taking part in these concerted actions.

In 2015-2016, the actions of the ACCES tobacco committee yielded a return of \$180.6 million.

**Example of an intervention by ACCES tobacco**

In 2016, an investigative team coordinated by the Sûreté du Québec dismantled a criminal network involved in importing large quantities of loose tobacco from the United States. This network was supplying illegal cigarette factories located in Québec and Ontario.

The investigation led to the arrest of 59 individuals and the seizure, among other things, of more than 80 500 kg of loose tobacco (that is, the equivalent of more than 80 million cigarettes), seven vehicles and more than \$2.2 million in cash.

This investigation is the largest ever conducted in North America in regard to tobacco smuggling, but also in regard to cross-border crime between Canada and the United States.

Sources: Ministère de la Sécurité publique and Sûreté du Québec.



## ❑ **The fight against unreported work in the construction sector (ACCES construction)**

The Québec construction industry employs thousands of people and generates major economic spinoffs. The special characteristics of this industry, such as the numerous specialties and labour mobility, make this sector conducive to tax evasion.

The ACCES construction committee<sup>4</sup> was created in order to encourage the various departments and bodies concerned by tax evasion and unreported work in this sector to maximize information sharing and establish concerted intervention strategies.

These actions yielded a return of \$72.8 million in 2015-2016. In addition, they helped, among other things, to improve the exchange of information between departments and bodies and upgrade the tools for detecting unreported activities.

### **Repositioning of ACCES construction**

The problems encountered in the construction sector have changed greatly in recent years. To adequately respond to them and improve the effectiveness of ACCES construction, work geared toward a repositioning of the committee began in 2014.

In 2016, this work led to the adoption and progressive implementation of the ACCES construction committee's Strategic Plan 2016-2019.

The plan includes the following five guidelines:

- quantify the changes in tax evasion and the extent of non-compliance with other legal obligations;
- optimize the opportunities for intervention having an impact on tax evasion, unreported work and non-compliance with other legal obligations;
- improve information exchange between the members of the committee;
- achieve a deeper understanding of the phenomena of tax evasion, unreported work and non-compliance with other legal obligations;
- develop or update technological tools.

<sup>4</sup> ACCES construction brings together the Commission de la construction du Québec, the Régie du bâtiment du Québec, the Commission des normes, de l'équité, de la santé et de la sécurité du travail, Revenu Québec, the Ministère du Travail, de l'Emploi et de la Solidarité sociale, the Directeur des poursuites criminelles et pénales and the Ministère des Finances du Québec.

## ❑ **The fight against the illicit trade in alcoholic beverages (ACCES alcohol)**

To allow for concerted action against the illicit trade in alcoholic beverages, the government created the ACCES alcohol committee.<sup>5</sup>

- The illicit trade in alcoholic beverages jeopardizes public security and leads to tax losses for the government and unfair competition in this sector of the economy.

The ACCES alcohol project enables police forces to carry out, throughout Québec's territory:

- systematic inspections of establishments holding an alcohol permit for consumption on the premises in order to detect offences involving the trade in alcoholic beverages;
  - In general, police forces conduct inspections annually in half of all licensed establishments in Québec.
- investigations to detect clandestine drinking establishments and dismantle illegal networks for importing, manufacturing and distributing alcoholic beverages and illegal gaming houses.

The presence of police forces in the bar sector also contributes to the maintenance of public security in Québec.

- The information obtained from ACCES alcohol inspections and investigations can lead to dismantling networks illegally trading in tobacco products or narcotics and help to end the illegal operation of amusement and video lottery machines.

In 2015-2016, ACCES alcohol's activities as a whole yielded a return of \$61.0 million.

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<sup>5</sup> ACCES alcohol brings together the Sûreté du Québec, the Service de police de la Ville de Montréal, other Québec police forces, the Association des directeurs de police du Québec, the École nationale de police du Québec, the Ministère de la Sécurité publique, the Directeur des poursuites criminelles et pénales, Revenu Québec, the Régie des alcools, des courses et des jeux, the Société des alcools du Québec and the Ministère des Finances du Québec.

### Example of an intervention by ACCES alcohol

#### Illegal trade and manufacture of alcoholic beverages (Project Malbec)

In 2015, the Service de police de la Ville de Montréal, in collaboration with other ACCES alcohol partners, completed the Project Malbec investigation targeting a vast wine smuggling network in Québec.

- The network was importing wine from Europe, processing it into some 20 different brands and reselling it illegally.

This investigation led to the largest seizure of contraband alcohol since ACCES alcohol was created and put an end to a tax fraud estimated at over \$14 million.

- In the course of this investigation, nearly 94 000 litres of alcoholic beverages, primarily wine, and nearly \$89 000 in cash were seized.

Sources: Ministère de la Sécurité publique and Service de police de la Ville de Montréal.

### ❑ The fight against economic and financial crime (ACCEF)

The ACCEF<sup>6</sup> committee was set up to curb economic and financial crime and foster better circulation of information between the main stakeholders concerned.

- The committee helps to detect and repress organized economic and financial crime.

The ACCEF committee has three components:

- the fight against tax crimes, which helps put an end to complex tax evasion and money laundering schemes;
- the fight against crimes committed on financial markets, which focuses on schemes whose victims are usually investors;
- the fight against laundering of the proceeds of crime, which aims to conceal the source of illegally acquired money.

In 2015-2016, the actions of the ACCEF committee yielded a return of \$32.4 million.

Since the ACCEF committee was established more than ten years ago, the phenomenon of economic and financial crimes has changed.

<sup>6</sup> Actions concertées contre les crimes économiques et financiers (concerted actions against economic and financial crime). This committee brings together the Sûreté du Québec, the Service de police de la Ville de Montréal, the Ministère de la Sécurité publique, Revenu Québec, the Directeur des poursuites criminelles et pénales, the Autorité des marchés financiers and the Ministère des Finances.

Given that the changes observed in the schemes, there is a need for the committee to reposition itself in order to adjust its work to the current challenges.

- This repositioning could lead to a revision of the partners' mandates and, if appropriate, prompt the government to propose legislative amendments.

Example of an intervention by ACCEF
<p>The Nobélium investigation, launched by the Sûreté du Québec in May 2015, targeted a criminal organization using a fake invoicing scheme in the metal recycling sector. The organization produced fake invoices enabling accommodated companies to access substantial sums of cash to purchase metals.</p> <p>The use of shell companies controlled by the organization made it possible to evade the taxes on these transactions and reduce the accommodated companies' taxable income. An amount equal to the sales taxes was retained as a profit by the criminal organization.</p> <p>Between May 2015 and December 2016, the criminal organization made nearly \$17 million in cash transactions.</p>

Sources: Ministère de la Sécurité publique and Sûreté du Québec.

**❑ The fight against organized networks of unreported work**

A growing problem in recent years is that of organized networks of unreported work, in particular in the sector of employment agencies.

- In this matter, the Ministère du Travail, de l'Emploi et de la Solidarité sociale and its partners<sup>7</sup> have undertaken concerted actions to detect these networks, recover sums owed to the government, take deterrent action and support the entry into the legal labour market of people who have worked in the underground economy.

The interventions carried out in 2015-2016 yielded a return of \$12.8 million.

<sup>7</sup> The partners of the Ministère du Travail, de l'Emploi et de la Solidarité sociale are Emploi-Québec, Revenu Québec, the Commission des normes de l'équité, de la santé et de la sécurité du travail, as well as the Sûreté du Québec and the Ministère des Finances du Québec.

### Example of an intervention in the fight against unreported work

An investigation of an employment agency operating primarily in the food processing sector was carried out in 2016-2017.

This agency hired nearly 4 000 persons to perform undeclared work, including more than 1 300 last-resort financial assistance beneficiaries. Many of them were paid through a money-services business.

In September 2016, charges of conspiracy to commit fraud, fraud, theft and laundering of the proceeds of crime were filed against two of the ringleaders of this fraud network. In addition, about ten vehicles, including several used to transport workers to clients, were seized as offence-related property.

This investigation should lead, among other things, to the recovery of more than \$14 million in overpayments of social assistance, more than \$500 000 in last-resort financial assistance paid to around 220 workers performing undeclared work, unpaid income tax owed by workers and the employment agency, and unpaid contributions to various public plans, such as the Régie des rentes du Québec.

Source: Ministère du Travail, de l'Emploi et de la Solidarité sociale.

### ☐ Expedited processing of special penal cases<sup>8</sup> in the Court of Québec

The actions described above are elements exerting additional pressure on the Québec judicial system.

To help expedite processing of penal cases in the Court of Québec, the government established the Special Penal Cases Division in 2015-2016. The Ministère de la Justice, the Directeur des poursuites criminelles et pénales and the Ministère de la Sécurité publique participate in this project.

— The capacity to process penal cases within a reasonable time ensures the conviction of individuals who break laws, in particular tax laws and laws governing Québec's financial sector, and make it possible to recover unpaid amounts.

The judges sitting in this division are specially trained and have developed special expertise, which ensures:

- more effective processing of proceedings before and during trial;
- better use of judicial resources;
- pre-trial settlement of cases through facilitation conferences.

For fiscal year 2016-2017, the Bureau des infractions et amendes expects about 30 000 more judgments than in 2015-2016.

<sup>8</sup> Special penal cases are those that are complex and/or lengthy.

## 2.2 Results of concerted actions

The concerted actions described above are funded by the Provision to increase any appropriation for initiatives concerning revenues (the Provision).

— The funding granted through the Provision enables various government departments and bodies to conduct interventions targeting sectors where the risk of tax evasion is higher.

In 2015-2016, concerted actions to fight tax evasion funded by the Provision yielded a return that increased overall government revenue by nearly \$360 million.

— The yield per dollar invested in projects funded by the Provision was \$8.94.<sup>9</sup>

TABLE B.2

**Total yield of concerted actions funded by the Provision**  
(millions of dollars unless otherwise indicated)

	2015-2016
ACCES tobacco	180.6
ACCES construction	72.8
ACCES alcohol	61.0
ACCEF	32.4
Fight against organized networks of unreported work	12.8
<b>TOTAL</b>	<b>359.6</b>
Funding granted to partners for concerted actions <sup>(1)</sup>	40.3
<b>YIELD PER DOLLAR INVESTED (DOLLARS)</b>	<b>8.9</b>

(1) Excluding funding granted to the Special Penal Cases Division.  
Source : Compilation by the Ministère des Finances du Québec.

<sup>9</sup> The yield is obtained by excluding funding granted in 2015-2016 to the Special Penal Cases Division.

## □ Budget envelope

In 2016-2017, the Ministère des Finances du Québec allocated \$50.4 million to fund concerted actions to fight tax evasion.

For 2017-2018, the budget envelope of the Provision will total \$51.7 million.

TABLE B.3

### **Funding by the Provision to increase any appropriation for initiatives concerning revenue** (millions of dollars)

	2016-2017	2017-2018 <sup>(1)</sup>
ACCES tobacco	13.2	—
ACCES construction	7.2	—
ACCES alcohol <sup>(2)</sup>	6.6	—
ACCEF	13.5	—
Fight against organized networks of unreported work	1.1	—
Special Penal Cases Division	5.9	—
Others	2.8	—
<b>TOTAL</b>	<b>50.4</b>	<b>51.7</b>

Note: Totals may not add due to rounding.

(1) The breakdown of funding by project for 2017-2018 is not available since the Ministère des Finances du Québec is currently analyzing funding requests by departments and bodies.

(2) Includes the amount granted to the Régie des alcools, des courses et des jeux for regulating Québec's alcoholic beverage industry.

Source: Ministère des Finances du Québec.





### **3. NEW INITIATIVES TO OPTIMIZE REVENUES**

One of the government's principal roles is to reduce uncertainty so as to encourage investment and to limit the risks to the economy and society resulting from harmful behaviour by individuals and businesses.

The Québec government thus intends to:

- implement a technological solution to increase tax compliance by stakeholders in the remunerated passenger transportation sector;
- establish an awareness, inspection and investigation team in the tourist accommodation sector;
- reduce penal and criminal case processing times.

#### **3.1 Implementation of a technological solution relying on the possibilities of sales recording modules**

To ensure healthy competition and foster tax fairness in the remunerated passenger transportation sector, the government is announcing that a technological solution relying on the possibilities of sales recording modules will be implemented, starting at the end of 2019, in all vehicles offering this type of service, whether they are conventional taxis or vehicles using a new approach.

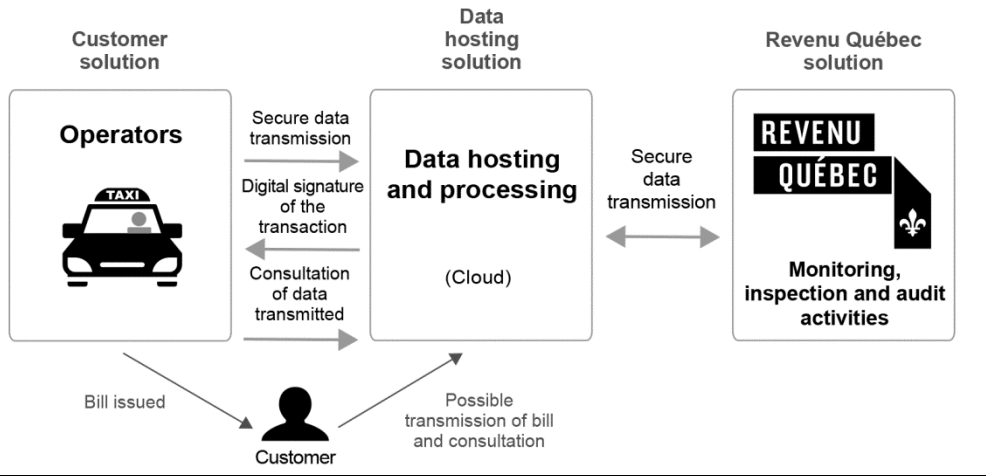
- Issuing a bill to customers will be mandatory.

The technological solution will make it possible, in particular, to:

- collect and record, for each driver, information on vehicle operation;
- transmit the information to Revenu Québec in real time, confidentially and securely.

Furthermore, inspection and audit activities will be conducted by Revenu Québec to validate bills issued.

**Diagram of the technological solution**



Source : Revenu Québec.

**Taxi services modernization program**

The Ministère des Transports, de la Mobilité durable et de l'Électrification des transports has announced the creation of a program to assist the taxi industry in its modernization in order to better meet the needs of the various clienteles.

The taxi services modernization program could, in particular, provide assistance to the industry in:

- technological development and acquisition of equipment, electric vehicles and recharging infrastructures;
- business development;
- accessibility of taxi vehicles for the disabled.

To insure that the assistance program truly meets the needs of the taxi transportation industry and clienteles, the MNA for Mégantic has been appointed to chair a committee to be composed of 11 taxi industry and clientele representatives who will be tasked with recommending the best actions to implement for modernizing the taxi industry.

The final parameters of the program, the type of investment financed and the eligibility criteria will be defined at a later date, when the committee on the modernization of the industry has completed its work.

### **3.2 Awareness, inspection and investigation team in the tourist accommodation sector**

The rapid growth of the sharing economy has had notable effects on the tourist accommodation industry as numerous sharing economy platforms have been developed in recent years.

- These platforms facilitate rentals between individuals as well as exchanges and sharing of accommodation.

The *Act respecting tourist accommodation establishments* (ATAE) regulates this sector of activity.

- The ATAE was adopted to regulate the quality of the supply in tourist accommodation.
- This Act is aimed at informing and protecting tourists so that they will enjoy an accommodation product of a quality comparable to that existing on the international market, and ensuring fairness among all those offering tourist accommodation in Québec.

However, certain hosts using sharing economy platforms that do not comply with the legislation.

The government intends to delegate a part of the Ministère du Tourisme's inspection powers to Revenu Québec in order to ensure compliance with legislation and with the operators' tax obligations.

- Thus Revenu Québec will deploy an additional team to carry out awareness, inspection and investigation activities addressed to operators.

Legislative amendments will be proposed for this purpose.

### 3.3 Actions aimed at reducing judicial delays

#### ❑ Action Strategy aimed at helping to reduce criminal and penal case processing times

In July 2016, the Supreme Court of Canada determined, in the *Jordan* decision, that a reasonable lapse of time between the filing of charges and the conclusion of the trial would generally be 18 months for cases heard by the Court of Québec and 30 months for cases heard by the Superior Court.

#### The *Jordan* decision

On July 8, 2016, the Supreme Court overturned the convictions of Barret Richard Jordan, who had been charged in December 2008 with possession and trafficking of drugs in British Columbia. It was not until February 2013 that he was convicted. This 49-month delay was found by the Supreme Court to be unreasonable.

In this decision, the Supreme Court set new guidelines concerning the duration of judicial proceedings in criminal and penal cases, in view of the right of any accused to be tried within a reasonable time pursuant to the *Canadian Charter of Rights and Freedoms*.

Thus the Supreme Court has fixed a ceiling of 18 months for cases tried before a provincial court, including the Court of Québec, and 30 months for cases tried before a superior court. Delays beyond these limit are presumed to be unreasonable and to violate the rights of accuseds.

Subject to a transitional measure prescribed by the Supreme Court for charges filed before its decision, these new rules concerning reasonable times are applicable immediately. Once these time limits have been exceeded, the Crown bears the burden of rebutting the delay's presumed unreasonableness by claiming exceptional circumstances, that is, circumstances beyond the Crown's control in that they are reasonably unforeseen or reasonably unavoidable and cannot be reasonably remedied. If it is unable to make such a rebuttal, the proceedings will be stayed.

In recent years, the Québec government has taken various actions to expedite case processing.

Expedited processing of criminal and penal cases remains a priority. The government also adopted, in December 2016, the Ministère de la Justice's Action Strategy aimed at helping to reduce criminal and penal case processing times.

This strategy includes measures such as:

- an increase in staffing, of more than 570 employees when the measure is fully implemented, for the Directeur des poursuites criminelles et pénales, the Ministère de la Sécurité publique and the court houses in order to boost the capacity to process cases in a shorter time;
- the opening of seven court rooms in 2017;

- an increase in the number of judges in Québec courts: the Court of Appeal, the Superior Court and the Court of Québec.

The success of the government strategy requires the collaboration of all participants in the judicial system to improve the efficiency of the process.

### **❑ Additional staffing for Revenu Québec for case processing in penal prosecutions**

In mid-March 2017, Revenu Québec had 13 684 active penal prosecutions:

- 3 021 cases under referral for prosecution;
- 10 663 on the court docket, including 1 726 at risk of not complying with the reasonable time limits established further to the *Jordan* decision, that is, 16%.

These 1 726 cases are primarily cases of tax fraud and cases involving tobacco.

A stay of proceedings in Revenu Québec's penal prosecutions could have a negative impact on government efforts to fight tax evasion and economic and financial crime.

Penal cases must be processed within a reasonable time in order to:

- obtain the expected judicial results further to tax audit, inspection and investigation activities;
- ensure the conviction of individuals who break tax laws;
- serve as a deterrent against tax evasion and economic and financial crime.

To enable Revenu Québec to participate actively in the Action Strategy aimed at helping to reduce criminal and penal case processing times, the government is announcing additional staffing for Revenu Québec.

### **❑ Additional staffing for the Autorité des marchés financiers**

A similar situation has been observed at the Autorité des marchés financiers. In mid-March, 66 of the 96 penal cases in progress at the Autorité des marchés financiers, that is, 69%, were at risk.

To remedy the situation, actions were taken to perfect the cases in progress and schedule trial dates as early as possible.

Many of the cases have been scheduled for trial in 2017, and a number of others will soon be scheduled for trial for the 2017-2018 period.

- To succeed in rapidly perfecting cases for trial, the contribution of the Autorité des marchés financiers investigators is essential.

The Autorité des marchés financiers must proceed rapidly in these cases. Thus additional resources will be assigned to litigations and investigations.

Penal cases processed by the Autorité des marchés financiers are generally among the lengthiest and most complex heard by penal courts. They primarily involve:

- cases of financial investments solicited illegally and obtained from multiple victims;
- complex stock market manipulation and insider trading schemes;
- illegal activities in brokerage and other financial products and services;
- fraud.

## **4. REVENU QUÉBEC'S ACTIONS TO IMPROVE ITS EFFICIENCY AND ITS RELATIONS WITH TAXPAYERS**

In recent years, recommendations have been made to the government in respect of Revenu Québec, in particular by the Protecteur du citoyen, the Québec Taxation Review Committee and the Ongoing Program Review Committee.

Further to these recommendations, Revenu Québec has exerted stricter control over its staff, in addition to adopting a plan to reduce its costs and improve its performance. Special attention has also been directed to the quality of its relations with taxpayers.

Revenu Québec's new vision is based on fairness and the organization's efficiency. It is characterized by a determination to offer quality services so as to foster voluntary tax compliance.

### **4.1 Improving efficiency**

Improving Revenu Québec's operational efficiency boosts the organization's capacity to collect tax revenue at lower cost while maintaining good relations with taxpayers.

In recent years, Revenu Québec has adapted its revenue collection practices in addition to implementing various optimization measures that have led to better control of the growth in spending and staffing.

#### **❑ Revenu Québec's new tax audit strategy**

Revenu Québec's new tax audit strategy focuses on guidance and prevention. To this end, activities to fight tax evasion are oriented toward implementing measures that foster voluntary tax compliance.

To help taxpayers fulfil their tax obligations, Revenu Québec is developing new work methods.

#### **❑ Improving voluntary tax compliance**

Since Québec's tax system is based on self-assessment, Revenu Québec's first role is to encourage, in particular by means of certain audit activities, taxpayers and mandataries to fulfil their tax obligations.

Nearly 95% of individuals each year file their income tax returns within the prescribed time limits. The rate is about 86% for businesses.

## ■ Actions carried out by Revenu Québec

In Budget 2016-2017, Revenu Québec made a commitment to further encourage self-assessment activities. Since then, Revenu Québec has, in particular:

- adopted the Charter of Taxpayers' and Mandataries' Rights, in May 2016, an important step in implementing a service-oriented approach;
- presented its strategic plan 2016-2020, which spells out the organization's guidelines for promoting voluntary tax compliance and client satisfaction, while mobilizing its employees and improving its efficiency;
- begun implementation of the measures in the government Action Plan for regulatory and administrative streamlining 2016-2018 that concern Revenu Québec;
- simplified certain communications, in particular notices of assessment sent to clients who are individuals.

Furthermore, Revenu Québec announced, in January 2017, the implementation of a guidance program for small and medium-sized businesses and individuals in business.

- This program offers the services of a Revenu Québec guidance officer free of charge to these clients to help them fulfil their tax obligations at key moments in the life cycle of their business.

## □ Optimizing the governance of Revenu Québec

Under the *Act respecting the Agence du revenu du Québec*, a board of directors supervises the administration of Revenu Québec and is accountable to the government for its decisions.

At present, the rules for the composition of the board of directors provide that at least four of the 15 members of the board must work for a department or body to which Revenu Québec provides collection services.<sup>10</sup>

Due to these special requirements, certain directors have been unable to complete their term.

To ensure continuity in the work and operation of the board of directors while allowing an optimum contribution by the members, legislative amendments will be proposed to streamline the rules for directors working for a department or body.

- These amendments were recommended in the *Bilan depuis la transformation de Revenu Québec en agence 2011-2016*.<sup>11</sup>

<sup>10</sup> They must occupy a position of deputy minister, assistant deputy minister, associate deputy minister, president or vice-president.

<sup>11</sup> These results were tabled in the National Assembly on December 9, 2016.



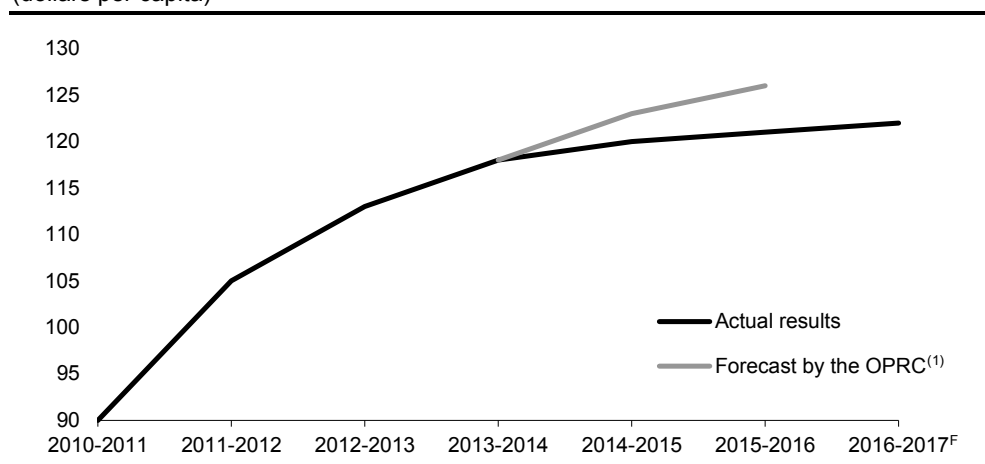
## ❑ Controlling growth in Revenu Québec's spending and staffing

The government pays particular attention to the growth in Revenu Québec's spending.

To limit such growth, Revenu Québec has implemented various optimisation measures. This striving for efficiency has substantially slowed the growth in Revenu Québec's per capita spending ratio, an indicator used by the Ongoing Program Review Committee.

CHART B.2

### Change in Revenu Québec's per capita spending ratio (dollars per capita)



F: Forecast.

(1) Ongoing Program Review Committee.

Source: Revenu Québec.

Furthermore, the growth in Revenu Québec's spending in the coming years should be comparable to that of the government as a whole.

## 4.2 Improving relations with taxpayers

During 2016-2017, Revenu Québec made improving its relations with taxpayers its priority.

A year after publication by the Minister of Finance of the Action Plan to follow through on the annual activities report 2014-2015 of the Protecteur du citoyen, all the actions called for, except those requiring legislative amendments, have been carried out by Revenu Québec.

— For example, changes were proposed to foster diversion of disagreements away from the court system and access to justice.

Furthermore, Revenu Québec has implemented measures to better meet its clients' needs. Further initiatives are proposed in this budget.

## ❑ Measures to foster diversion of disagreements away from the court system and access to justice

In implementation of the action plan to follow through on the Protecteur du citoyen's annual activities report 2014-2015, the government is announcing that legislative amendments to the *Tax Administration Act* will be proposed in order to:

- enable small businesses with ten employees or fewer to contest a decision rendered following an objection before the Small Claims Division of the Court of Québec, on the same basis as an individual;
- raise eligibility thresholds in tax cases before the Small Claims Division of the Court of Québec.

Furthermore, other amendments to the *Financial Administration Act* will be proposed in order to implement measures concerning summary appeals.

<b>Proposals for amendments to the rules concerning summary appeals in tax matters</b>
<p>Amendments to the <i>Financial Administration Act</i> concerning the rules for summary appeals in tax matters before the Small Claims Division of the Court of Québec will be proposed in order, in particular, to:</p> <ul style="list-style-type: none"><li>– enable small businesses with ten employees or fewer to contest an assessment of less than \$15 000;</li><li>– raise from \$4 000 to \$15 000 the maximum eligibility threshold applicable to individuals;</li><li>– provide for the obligation for Revenu Québec to transmit to taxpayers, prior to the hearing, its arguments (legislation, regulations, position defended and supporting documents);</li><li>– provide for the possibility for the court to take such case processing measures as it deems appropriate and try to conciliate between the parties during the hearing or at a case settlement conference;</li><li>– provide for the possibility of referring the parties to alternative dispute resolution methods (recourse to mediation);</li><li>– enable a taxpayer who is a natural person, if prevented from acting, to be represented by his or her spouse, a relative, a person connected by marriage or civil union, or a friend.</li></ul>

## **❑ Improving client service**

In its concern to constantly improve the quality of the services offered, Revenu Québec will increase the capacity of some of its regional offices, in particular the office in Chandler in the Gaspésie region.

This measure will make it possible to provide better technical assistance to users of Revenu Québec's online services and to meet other needs related to client service or tax compliance by individuals.

— It is noteworthy that in September 2016, the government announced an improvement in services offered to businesses throughout Québec with the inauguration of a new service centre in the Saguenay–Lac-Saint-Jean region.



# Section C

## REPORT ON THE APPLICATION OF THE LEGISLATION RESPECTING A BALANCED BUDGET AND THE GENERATIONS FUND

- 1. The *Balanced Budget Act*..... C.3
  - 1.1 Current stipulations and requirements of the Act ..... C.3
  - 1.2 Budgetary balance within the meaning of the *Balanced Budget Act* ..... C.5
  - 1.3 Stabilization reserve..... C.8
- 2. The *Act to reduce the debt and establish the Generations Fund* ..... C.9
  - 2.1 Maintaining the debt reduction objectives ..... C.9
  - 2.2 Sums dedicated to the Generations Fund ..... C.12



# 1. THE *BALANCED BUDGET ACT*

Under the *Balanced Budget Act*, the Minister of Finance must report to the National Assembly, in the budget speech, on the achievement of the objectives of the Act and any variance recorded.

## 1.1 Current stipulations and requirements of the Act

The purpose of the *Balanced Budget Act* is to oblige the government to maintain a balanced budget and, to that end, to table balanced budget estimates. The Act sets out the applicable rules in the case of an overrun.

### **The *Balanced Budget Act***

The *Balanced Budget Act* (CQLR, chapter E-12.00001) was passed unanimously by the National Assembly on December 19, 1996. The Act stipulates that the government must table balanced budget estimates and sets out the applicable rules in the case of an overrun.

In 2009, the *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform* (S.Q. 2009, chapter 38) substantially amended the *Balanced Budget Act* to, among other things, introduce specific provisions to allow the government to weather the recession and authorize deficits that would have to be reduced gradually in order to return to a balanced budget in 2013-2014.

Moreover, the *Balanced Budget Act* was amended in 2013 to exclude, from the calculation of the budgetary balance for 2012-2013, the result of \$1.9 billion stemming from Hydro-Québec's extraordinary loss relative to the closure of the Gentilly-2 nuclear power plant.

Also in 2013, the return to a balanced budget had to be delayed to 2015-2016. Accordingly, legislative amendments were made to the *Balanced Budget Act* under the *Act mainly to implement certain provisions of the Budget Speech of 4 June 2014 and return to a balanced budget in 2015-2016* (S.Q. 2015, chapter 8), assented to on April 21, 2015. Consequently, the budgetary deficits recorded in 2012-2013 and 2013-2014 were allowed, the budgetary deficit that could not be exceeded in 2014-2015 was set at \$2.35 billion and a balanced budget had to be achieved in 2015-2016.

Under the *Balanced Budget Act*, if an overrun of less than \$1 billion is recorded for a fiscal year, the government must achieve an equivalent surplus in the next fiscal year.

The Act stipulates that the government may incur overruns for a period of more than one year, where such overruns total at least \$1 billion as a result of circumstances defined in the Act, namely, a disaster having a major impact on revenue or expenditure, a significant deterioration of economic conditions or a change in federal programs of transfer payments to the provinces that would substantially reduce transfer payments to the government.

### **The *Balanced Budget Act* (cont.)**

If there is an overrun of at least \$1 billion, the Minister of Finance must report to the National Assembly on the circumstances justifying that the government incur such overruns. In addition, the Minister must present a financial plan allowing those overruns to be offset within a five-year period and apply offsetting measures covering at least \$1 billion as of the fiscal year in which such an overrun is anticipated, or the following year in the case where an overrun is recorded. He must offset at least 75% of those overruns within the first four fiscal years of that period.

In addition, under the Act, entries posted to the net debt must henceforth be taken into account in calculating the budgetary balance, except when such entries result from changes made to the accounting policies of the government or any of its enterprises so as to bring them into compliance with a new standard of the organization Chartered Professional Accountants Canada (CPA Canada).

The Act also established a stabilization reserve in order to facilitate the government's multi-year budget planning and, subsidiarily, to allow sums to be deposited in the Generations Fund. Any surpluses recorded for a fiscal year are automatically allocated to this reserve whose main purpose is to maintain a balanced budget.

Lastly, the Act stipulates that the Minister of Finance must report to the National Assembly, in the budget speech, on the objectives of the Act, their achievement and any variance recorded, and on the operations of the stabilization reserve.



## 1.2 Budgetary balance within the meaning of the *Balanced Budget Act*

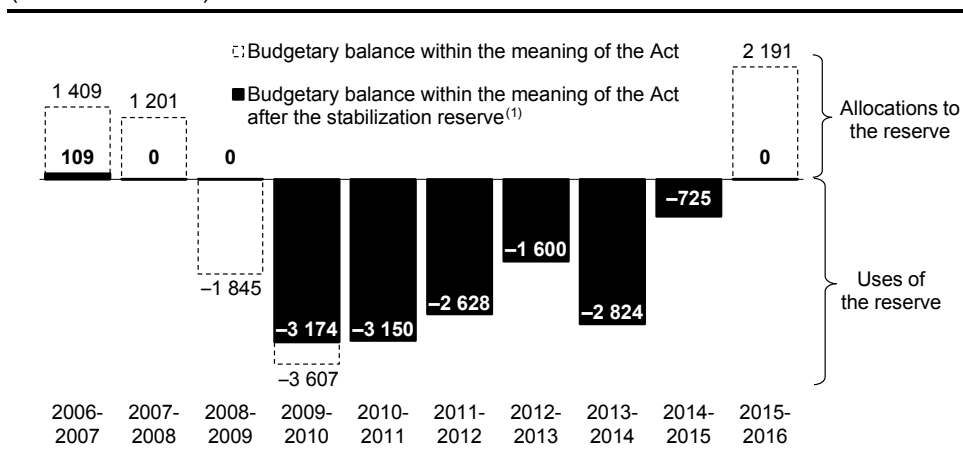
Under the *Balanced Budget Act*, the objectives of the Act are achieved if the budgetary balance, calculated in accordance with the Act, is zero or positive. Table C.1 shows the components for establishing the budgetary balance within the meaning of the Act.

A balanced budget within the meaning of the Act was maintained for fiscal 2006-2007 to 2008-2009. From 2009-2010 to 2014-2015, the budgetary balance was a deficit, as allowed under the Act.

In 2015-2016, a balanced budget was achieved. The recorded surplus of \$2 191 million was allocated in full to the stabilization reserve in accordance with the Act, bringing the budgetary balance calculated after taking the reserve into account to zero.

CHART C.1

### Budgetary balance, 2006-2007 to 2015-2016 (millions of dollars)



(1) Budgetary balance within the meaning of the *Balanced Budget Act* that takes into account allocations to the stabilization reserve and uses of it in order to maintain a balanced budget. From 2010-2011 to 2014-2015, there were no transactions in the stabilization reserve..

### **Budgetary balance within the meaning of the Act**

The budgetary balance within the meaning of the *Balanced Budget Act* corresponds essentially to the surplus or deficit reported in the Public Accounts (book balance) minus the amount of revenues dedicated to the Generations Fund and adjusted to take certain accounting changes into consideration.

The Act allows the stabilization reserve to be taken into account in order to assess the achievement of a balanced budget. Therefore, in a situation where the calculated budgetary balance would be a deficit, an equivalent amount could be used from the reserve to enable the government to present a zero budgetary balance and achieve a balanced budget, in accordance with the Act, without having to implement an offsetting financial plan. The budgetary balance thus obtained corresponds to the budgetary balance within the meaning of the Act after taking into account the stabilization reserve.

TABLE C.1

**Budgetary balance within the meaning of the *Balanced Budget Act***  
(millions of dollars)

Fiscal year	Surplus (deficit) reported in the Public Accounts <sup>(1)</sup>	Generations Fund	Accounting changes and other	Budgetary balance within the meaning of the Act	Annual surplus	Stabilization reserve		Budgetary balance within the meaning of the Act after reserve <sup>(2)</sup>
						Allocations	Uses	
2006-2007	1 993	-584	—	1 409	1 409	-1 300 <sup>(3)</sup>	—	109
2007-2008	1 650	-449	—	1 201	1 201	-1 201	—	—
2008-2009	-1 258	-587	—	-1 845	—	-109 <sup>(4)</sup>	1 845	—
2009-2010	-2 940	-725	58 <sup>(5)</sup>	-3 607	—	—	433	-3 174 <sup>(6)</sup>
2010-2011	-2 390	-760	—	-3 150	—	—	—	-3 150 <sup>(6)</sup>
2011-2012	-1 788	-840	—	-2 628	—	—	—	-2 628 <sup>(7)</sup>
2012-2013	-2 515	-961	1 876 <sup>(8)</sup>	-1 600	—	—	—	-1 600 <sup>(9)</sup>
2013-2014	-1 703	-1 121	—	-2 824	—	—	—	-2 824 <sup>(9)</sup>
2014-2015	136	-1 279	418 <sup>(5)</sup>	-725	—	—	—	-725
2015-2016	3 644	-1 453	—	2 191	2 191	-2 191	—	—
2016-2017 <sup>F</sup>	2 292	-2 042	—	250	250	-250	—	—

F: Forecasts.

(1) The amounts correspond to those established in the government's annual consolidated financial statements, without taking into account the adjustments made in subsequent years for the fiscal year concerned.

(2) The budgetary balance within the meaning of the *Balanced Budget Act* after reserve corresponds to the budgetary balance that takes into account allocations to the stabilization reserve and uses of it in order to maintain a balanced budget.

(3) In 2006-2007, only \$1.3 billion was allocated to the stabilization reserve in accordance with the then current legislation. Under the *Balanced Budget Act*, the total surplus for each fiscal year is now allocated to the stabilization reserve.

(4) In accordance with section 32 of the Act (S.Q. 2009, chapter 38), the sum of \$109 million, corresponding to the difference between the recorded surplus and the anticipated surplus for 2006-2007, was allocated to the stabilization reserve in 2008-2009.

(5) The *Balanced Budget Act* stipulates that the budgetary balance must be adjusted to take into account certain accounting changes resulting in particular from changes made to the accounting policies of the government or any of its enterprises so as to bring them into compliance with a new standard of the organization Chartered Professional Accountants Canada (CPA Canada).

(6) In accordance with the *Balanced Budget Act*, the obligation to achieve a balanced budget was suspended in 2009-2010 and in 2010-2011.

(7) For 2011-2012, the budgetary deficit of \$2.6 billion represents an improvement of \$1.2 billion compared to the budgetary deficit target of \$3.8 billion set in the March 2011 budget pursuant to the *Balanced Budget Act*.

(8) The result of \$1.9 billion stemming from Hydro-Québec's extraordinary loss relative to the closure of the Gentilly-2 nuclear power plant is excluded from the calculation of the budgetary balance for 2012-2013, in accordance with the Act.

(9) The budgetary deficits of \$1.6 billion and \$2.8 billion recorded for 2012-2013 and 2013-2014, respectively, are allowed pursuant to the *Balanced Budget Act*.

### 1.3 Stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

The reserve must be used first and foremost to keep the budget balanced and, subsidiarily, it may be used to reduce the debt through deposits in the Generations Fund.

The balance of the stabilization reserve is adjusted on the basis of recorded surpluses allocated to the reserve or amounts used from the reserve for each fiscal year.

In 2015-2016, a recorded surplus of \$2 191 million was allocated to the stabilization reserve in accordance with the *Balanced Budget Act*.

— Since the balance of the stabilization reserve was zero at the beginning of fiscal 2015-2016, it amounted to \$2 191 million as at March 31, 2016.

For fiscal 2016-2017, the government forecasts a surplus of \$250 million, which will be allocated to the stabilization reserve. The balance of the stabilization reserve is expected to stand at \$2 441 million as at March 31, 2017.

TABLE C.2

#### Operations of the stabilization reserve (millions of dollars)

Fiscal year	Balance, beginning of year	Allocations	Uses		Balance, end of year
			Balanced budget	Generations Fund	
2015-2016	—	2 191	—	—	2 191
2016-2017 <sup>F</sup>	2 191	250	—	—	2 441

F: Forecasts.

## **2. THE ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND**

### **2.1 Maintaining the debt reduction objectives**

Budget 2017-2018 confirms the maintenance of the debt reduction objectives<sup>1</sup> set forth in the *Act to reduce the debt and establish the Generations Fund* for fiscal 2025-2026:

- the gross debt must not exceed 45% of GDP;
- the debt representing accumulated deficits must not exceed 17% of GDP.

The following contributions, added to those dedicated to the Generations Fund since its creation in 2006, will enable the government to achieve its debt reduction objectives set in the Act.

- To these contributions is added the investment income that accumulates in the Generations Fund and accelerates the reduction of the debt.

#### **☐ Water-power royalties**

Water-power royalties paid into the Generations Fund by Hydro-Québec and private producers of hydro-electricity will total \$774 million in 2016-2017, \$779 million in 2017-2018, \$787 million in 2018-2019, \$805 million in 2019-2020, \$828 million in 2020-2021 and \$840 million in 2021-2022.

#### **☐ Heritage electricity**

Deposits in the Generations Fund relating to the indexation of the price of heritage electricity will represent \$164 million in 2016-2017, \$215 million in 2017-2018, \$245 million in 2018-2019, \$325 million in 2019-2020, \$415 million in 2020-2021 and \$500 million in 2021-2022.

#### **☐ Additional contribution from Hydro-Québec**

An amount of \$215 million per year from Hydro-Québec will be deposited in the Generations Fund from 2017-2018 to 2043-2044.

#### **☐ Mining revenues**

Deposits in the Generations Fund of all mining revenues collected by the government will represent \$77 million in 2016-2017, \$123 million in 2017-2018, \$241 million in 2018-2019, \$297 million in 2019-2020, \$352 million in 2020-2021 and \$382 million in 2021-2022.

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<sup>1</sup> Section E of *The Québec Economic Plan – March 2017* provides detailed information on the Québec government's debt.

## ❑ Specific tax on alcoholic beverages

An amount of \$500 million per year drawn from the specific tax on alcoholic beverages has been deposited in the Generations Fund since 2016-2017.

In 2013, the government chose to offset the impact on the debt of the additional deficits stemming from the decision to postpone by two years the return to a balanced budget, which had been forecast for 2013-2014, by increasing the deposits in the Generations Fund drawn from the specific tax on alcoholic beverages as of 2016-2017.

— Accordingly, additional deposits of \$400 million have been added to the \$100 million allocated to the Generations Fund in 2014-2015 and 2015-2016, bringing deposits in the fund drawn from the specific tax on alcoholic beverages to \$500 million per year as of 2016-2017.

TABLE C.3

### Generations Fund (millions of dollars)

	Budget 2016-2017 <sup>F</sup>		Budget 2017-2018 <sup>F</sup>					
	2016-2017	Adjustments	2016- 2017	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022
<b>Book value, beginning of year</b>	<b>8 477</b>	<b>45</b>	<b>8 522</b>	<b>10 564</b>	<b>13 052</b>	<b>15 886</b>	<b>19 102</b>	<b>22 729</b>
<b>Dedicated revenues</b>								
Water-power royalties								
Hydro-Québec	652	19	671	680	687	703	724	733
Private producers	95	8	103	99	100	102	104	107
<b>Subtotal</b>	<b>747</b>	<b>27</b>	<b>774</b>	<b>779</b>	<b>787</b>	<b>805</b>	<b>828</b>	<b>840</b>
Indexation of the price of heritage electricity	170	-6	164	215	245	325	415	500
Additional contribution from Hydro-Québec	—	—	—	215	215	215	215	215
Mining revenues	109	-32	77	123	241	297	352	382
Specific tax on alcoholic beverages	500	—	500	500	500	500	500	500
Unclaimed property	30	25	55	30	30	30	30	30
Investment income	472	—	472	626	816	1 044	1 287	1 522
<b>Total of dedicated revenues</b>	<b>2 028</b>	<b>14</b>	<b>2 042</b>	<b>2 488</b>	<b>2 834</b>	<b>3 216</b>	<b>3 627</b>	<b>3 989</b>
<b>BOOK VALUE, END OF YEAR</b>	<b>10 505</b>	<b>59</b>	<b>10 564</b>	<b>13 052</b>	<b>15 886</b>	<b>19 102</b>	<b>22 729</b>	<b>26 718</b>

F: Forecasts.

### **The Act to reduce the debt and establish the Generations Fund**

The *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1) was passed on June 15, 2006. This statute established the Generations Fund, a fund dedicated exclusively to repaying the gross debt.

In 2010, the Act was amended to revise the concepts of debt used and the debt reduction objectives that must be achieved by 2025-2026.

The Act stipulates that, for fiscal year 2025-2026, the gross debt must not exceed 45% of GDP and the debt representing accumulated deficits must not exceed 17% of GDP.

Under the provisions of the Act, the Generations Fund is constituted of the following sums from revenue sources dedicated to debt repayment:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- part of Hydro-Québec's earnings on the sale of electricity outside Québec as a result of its increased generating capacity;<sup>1</sup>
- revenues from the indexation of the price of heritage electricity since 2014;
- fees or charges for water withdrawal;<sup>1</sup>
- since 2015-2016, the total of fees, duties, rentals and mining royalties provided for in the *Mining Tax Act* and the *Mining Act*. This amount is established once the duties allocated to the mining heritage and mining activity management components of the Natural Resources Fund have been subtracted;
- in 2014-2015 and 2015-2016, \$100 million a year, increasing to \$500 million a year as of 2016-2017, from the specific tax on alcoholic beverages;
- from 2017-2018 to 2043-2044, \$215 million per year from Hydro-Québec;
- sale of government assets, rights or securities;<sup>1</sup>
- unclaimed property administered by Revenu Québec;
- gifts, legacies and other contributions received by the Minister of Finance;
- income generated by the investment of the sums making up the Generations Fund.

The *Act to reduce the debt and establish the Generations Fund* also allows the government to order that a part, which it establishes, of any sum that would otherwise have been attributed to the General Fund of the Consolidated Revenue Fund be allocated to the Generations Fund.

Similarly, that Act authorizes the government, subject to the provisions of the *Balanced Budget Act*, to use the stabilization reserve to deposit sums in the Generations Fund.

The sums constituting the Generations Fund are deposited with the Caisse de dépôt et placement du Québec and managed in accordance with an investment policy determined by the Minister of Finance, in collaboration with the Caisse.

Lastly, the Act stipulates that the Minister of Finance must report to the National Assembly, in the budget speech, on the evolution of the debt representing accumulated deficits and of the gross debt, on the sums constituting the Generations Fund and on any sums used to repay the gross debt.

<sup>1</sup> An order in council of the government is required to set the portion of these amounts that must be allocated to the Generations Fund.

## 2.2 Sums dedicated to the Generations Fund

In 2016-2017, \$2.0 billion in dedicated revenues was deposited in the Generations Fund. The upward adjustment of \$14.0 million compared with Budget 2016-2017 is due primarily to higher water-power royalties and unclaimed property. These increases were offset by lower-than-anticipated mining revenues.

For 2017-2018, \$2.5 billion will be devoted to the Generations Fund.

For 2018-2019, the revenue of the Generations Fund should reach \$2.8 billion.

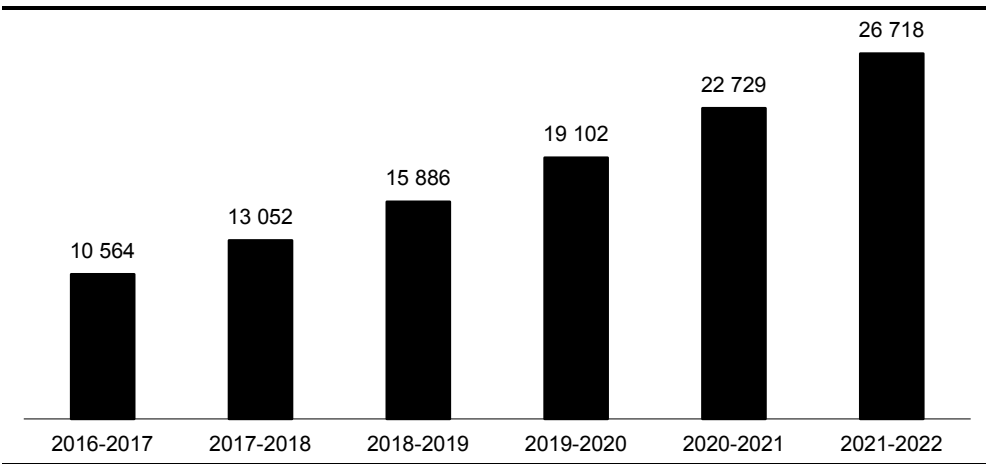
Taking into account the deposits made since its creation and those forecast for the coming years, the book value<sup>2</sup> of the Generations Fund will reach:

- \$10.6 billion as at March 31, 2017;
- \$13.1 billion as at March 31, 2018;
- \$15.9 billion as at March 31, 2019.

The Generations Fund should reach \$26.7 billion as at March 31, 2022.

CHART C.2

### Growth in the book value of the Generations Fund<sup>F</sup> (millions of dollars)



F: Forecasts.

<sup>2</sup> In 2013-2014, the government used \$1.0 billion of the Generations Fund to repay maturing borrowings.



# Section D

## OMNIBUS BILL

1. Omnibus Bill.....	D.3
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# 1. OMNIBUS BILL

Some measures of the budget require legislative amendments. The Minister of Finance will introduce an omnibus bill in the National Assembly during the fall 2017 parliamentary session for that purpose. The bill will contain the legislative amendments that are not of a fiscal nature. The details of certain measures are provided in the budget documents. The bill will include the following measures in particular.

## ☐ **Sports and Physical Activity Development Fund**

The bill will enable an increase of \$2 million in the amount from the revenues of the specific tax on tobacco products that will be deposited in the Sports and Physical Activity Development Fund from 2017-2018 to 2025-2026.

## ☐ **Electricity discount to foster greenhouse development**

Legislative changes will be made to finance the electricity discount for greenhouses, which will accelerate investments in this sector.

## ☐ **Development of the alcoholic beverages sector**

Legislative changes will be made to accelerate the development of the alcoholic beverages sector.

## ☐ **Gross debt**

An amendment will be made to the *Act to reduce the debt and establish the Generations Fund* so that the debt of the Financing Fund to finance government enterprises and entities not included in the reporting entity is not excluded from the gross debt.

## ☐ **Amendment of the *Financial Administration Act***

Amendments will be made to the *Financial Administration Act* to enable the Ministère des Finances to make financial instruments or contracts for the needs of bodies or categories of bodies designated by the government.

## ☐ **Fund for the Promotion of a Healthy Lifestyle**

The *Act to establish the Fund for the promotion of a healthy lifestyle* will be repealed and expenditures in respect of healthy lifestyles will be incorporated into program spending as of 2017-2018.

**❑ Implementation of a technological solution relying on the possibilities of sales recording modules in the remunerated passenger transportation sector**

The *Tax Administration Act* and the *Act respecting the Québec sales tax* will be amended to provide for the implementation of a technological solution relying on the possibilities of sales recording modules in the remunerated passenger transportation sector.

**❑ Diversion of disagreements away from the court system and access to justice**

The *Tax Administration Act* will be amended in respect of the rules concerning summary appeals in tax matters before the Small Claims Division of the Court of Québec.

**❑ Composition of the board of directors of the Agence du revenu du Québec**

The *Act respecting the Agence du revenu du Québec* will be amended to ensure continuity in the work and operation of the board of directors of the Agence du revenu du Québec.

**❑ Regulation of tourist accommodation**

The *Act respecting tourist accommodation establishments* will be amended to ensure greater regulation of the quality of tourist accommodation in Québec and greater tax compliance by operators.

The *Tax Administration Act* will be amended to enable information sharing between Revenu Québec and the Minister of Tourism.

**❑ *Building Act***

The *Building Act* will be amended to sanction the regulatory provisions of the Régie du bâtiment concerning the collection of certain revenues.

**❑ Financing of Investissement Québec's activities**

Amendments will be made to the *Act respecting Investissement Québec* to make sure the state-owned enterprise can finance its activities.

## ☐ **Regulations concerning insurance**

The *Civil Code of Québec* will be amended to:

- introduce the concept of group damage insurance;
- introduce partial prohibition of transferring a life insurance policy for the purpose of speculation;
- define some notions concerning co-ownership insurance.

The *Act respecting the distribution of financial products and services* will be amended to:

- review the rules restricting ownership of a damage insurance brokerage firm;
- make adjustments to enable the provision of group damage insurance.

## ☐ **Amendment of the *Act respecting the preservation of agricultural land and agricultural activities***

Legislative amendments will be made to the *Act respecting the preservation of agricultural land and agricultural activities* to establish a compensation mechanism for the loss of agricultural land in the territory of the Communauté métropolitaine de Montréal.

## ☐ **Amendment of the *Act respecting municipal taxation***

Legislative amendments will be made to the *Act respecting municipal taxation* to enable municipalities of the Communauté métropolitaine de Montréal to impose a special tax on uncultivated agricultural land.

## ☐ **Réseau électrique métropolitain (REM)**

As part of the work to enable the REM project to be delivered, the government will make legislative amendments pertaining to, among other things:

- expropriation and vacating of private land;
- road management and permits;
- adoption of railway regulations specific to the REM;
- introduction of development royalties.



# Section E

## FUNDING OF HEALTH SERVICES

<b>Introduction.....</b>	<b>E.3</b>
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<b>2. Health issues and outlook in Québec.....</b>	<b>E.7</b>
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4.3 Government offer on the table .....	E.19





## INTRODUCTION

Health funding is a priority. The government has undertaken a major reform to improve the quality and efficiency of the health care system. The reform is being carried out through three main channels:

- reviewing the organization of services under the *Act to modify the organization and governance of the health and social services network*;
- improving access to services, in particular by improving access to a family physician and ensuring continuity of care by medical specialists in a timely manner;
- delivering health care efficiently through, in particular, gradual implementation of patient-based funding.

The March 2017 Québec Economic Plan provides for new measures for ensuring balance in funding the health care system in the years to come. In particular:

- taking action on changes in medical compensation, based on advances made;
- equipping the Ministère de la Santé et des Services sociaux with new, high-performance information systems.<sup>1</sup>

This section discusses the economic and budgetary context in which the government is determined to renegotiate the payment provisions of the most recent medical compensation agreement. The amounts freed up will be earmarked in full for health and social services institutions.

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<sup>1</sup> Details of these initiatives are provided in Section A of *The Québec Economic Plan – March 2017*.



# 1. HEALTH SPENDING IN QUÉBEC

In Québec, like in all advanced economies, health spending accounts for a large share of the economy and government budget.

- At a budget of \$40.2 billion in 2017-2018, Health and Social Services accounts for almost 43% of mission expenditures.

Health expenditures consist primarily of:

- program spending;
- spending by non-budget-funded bodies, in particular the Régie de l'assurance maladie du Québec and the Prescription Drug Insurance Fund.

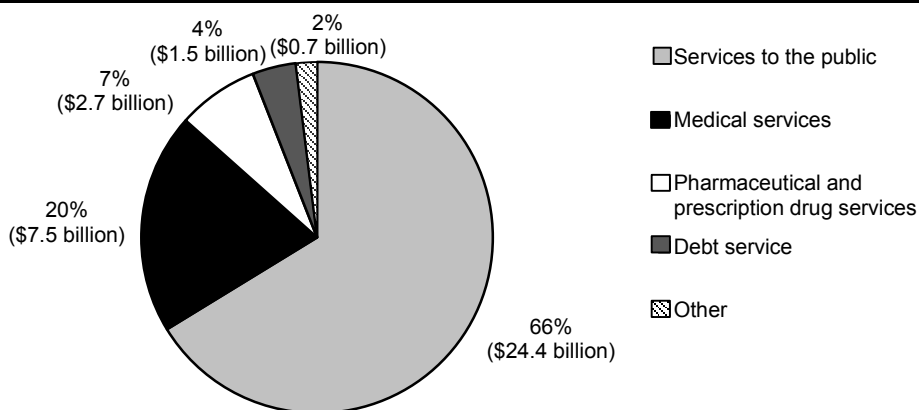
## □ Program spending on health and social services

In 2017-2018, program spending on health and social services will total \$36 764 million.

- Over 60% of the total envelope is allocated to the provision of services to the public.
- The envelope earmarked for medical compensation is \$7.5 billion, or 20% of program spending on health and social services.

CHART E.1

### **Spending on health and social services, by program – 2017-2018**



Note: Totals may not add due to rounding.  
Source: Secrétariat du Conseil du trésor.

## ❑ Growing share of health spending in total government expenditure

The government has made health one of its priorities. Efforts have been made in recent years to ensure the quality of health services.

The share of health and social services in program spending will be 50.6% in 2017-2018 and then stabilize at around 51% until 2019-2020.

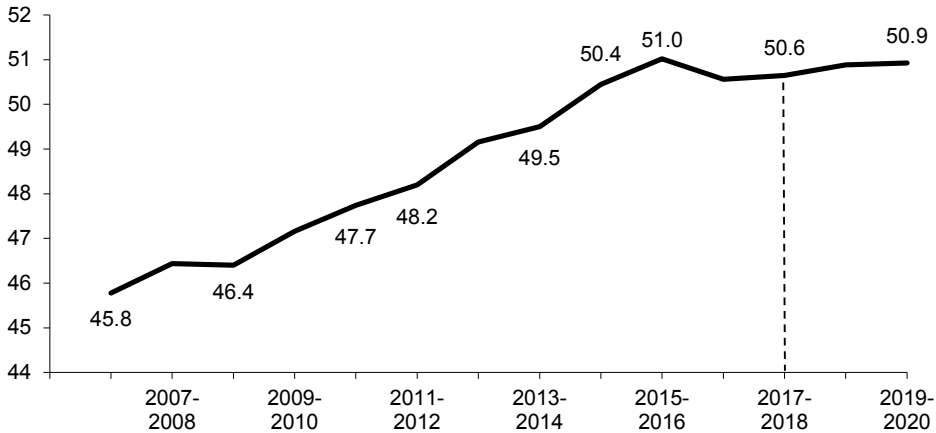
— This share rose by nearly 5 percentage points relative to 2006-2007.

Today, health funding remains a priority. However, the demographic and fiscal outlooks foreshadow health and social services issues in the coming years.

— The growing proportion of persons aged 65 and over in Québec's total population will put upward pressure on health expenditures owing to the higher health spending for this age group.

CHART E.2

### Change in health and social services' share of program spending – 2006-2007 to 2019-2020 (per cent)



Sources: Secrétariat du Conseil du trésor and calculations by the Ministère des Finances du Québec.

## 2. HEALTH ISSUES AND OUTLOOK IN QUÉBEC

Current population aging and the projected revenue slowdown pose a challenge for Québec's public finances, especially in terms of funding health services.

### 2.1 The challenge of population aging

#### □ Growth in the proportion of people aged 65 and over in the Québec population

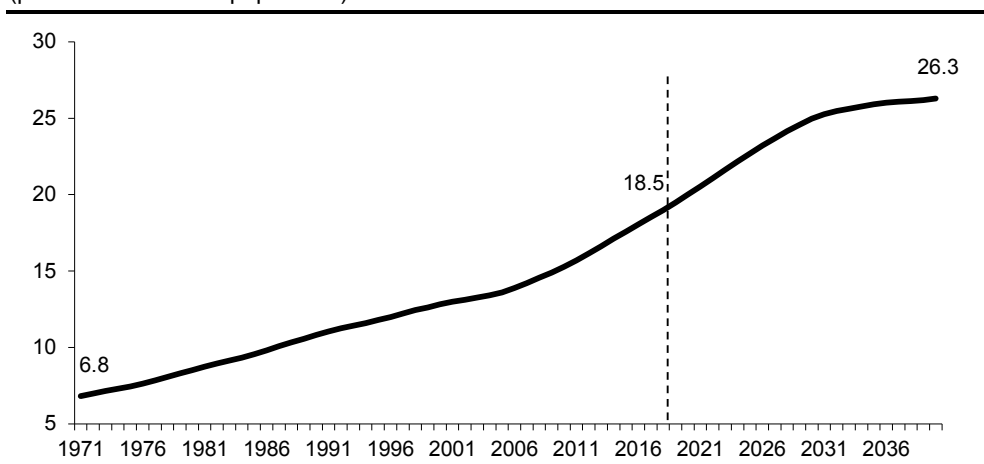
The demographic structure is changing. In the coming years, population growth will be characterized by an increase in the number of people aged 65 and over.

— A trend of population aging has been observed for a number of years, but it will accelerate significantly starting in 2017.

Population aging will put added pressure on health spending.

CHART E.3

**Change in proportion of people aged 65 and over in the total population – 1971 to 2040**  
(per cent of the total population)



Sources: Institut de la statistique du Québec, Statistics Canada and Ministère des Finances du Québec.

**Health expenditure by age group**

Changes in the population age structure alone raise the level of health spending.

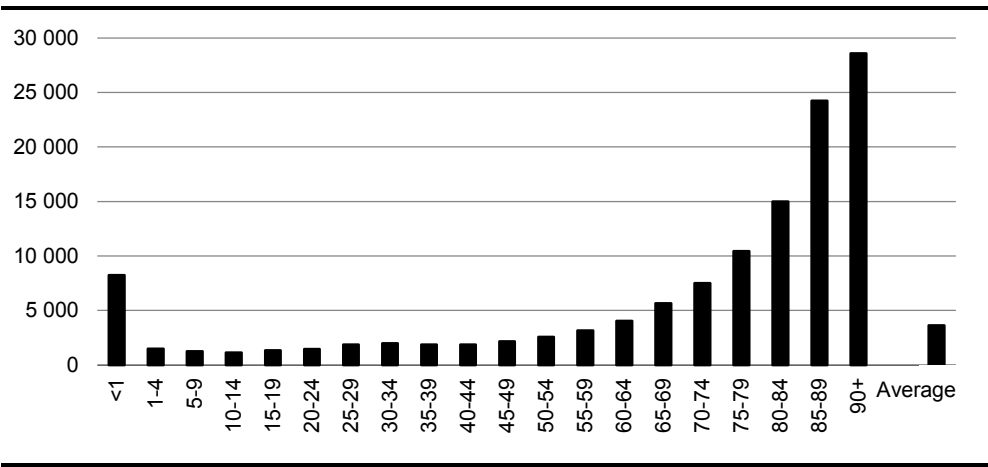
Beyond the first year of life, the older a person gets, the more he or she uses health services.

In 2014:

- for the 1-64 age group, average annual health spending was less than \$5 000;
- spending reached 10 000 for the 75-79 age group;
- for the 85-and-over age group, it was more than \$25 000 on average.

CHART E.4

**Government health expenditure, by age group – 2014**  
(dollars per capita)



Source: Canadian Institute for Health Information, National Health Expenditure Trends, 1975 to 2016.

## 2.2 Forecast slowdown in revenue growth

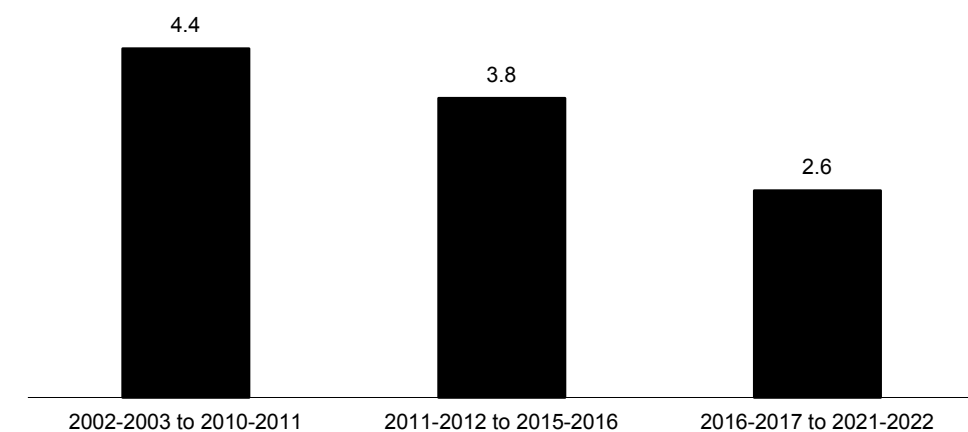
Average revenue growth from 2016-2017 to 2021-2022 is forecast at 2.6%.

That is a lower growth rate than in previous years.

— From 2002-2003 to 2010-2011, revenue grew at an average annual rate of 4.4%. The rate was 3.8% from 2011-2012 to 2015-2016.

CHART E.5

### Consolidated revenue growth<sup>(1)</sup> – 2002-2003 to 2021-2022 (per cent)



(1) Revenue excluding revenues dedicated to the Generations Fund.

Several factors explain the projected slowdown in revenue growth, in particular:

- low inflation;
  - Like several other economies, Québec is currently in a period of low inflation. In recent years, falling energy prices have slowed consumer price growth in several countries.
  - The consumer price index (CPI) rose by 0.7% in 2016, after increasing by 1.1% in 2015. In 2017, the CPI is expected to rise by 1.6%.
- stabilization in the number of working-age people.
  - From 2014 to 2022, the Québec population aged 15-64 is expected to contract at an average rate of 0.2% per year.
  - The massive retirement of workers expected in the coming years will lead to a decline in the potential labour pool, one of the factors in real GDP growth along with the employment rate and productivity.

Thus, the anticipated slowdown in revenue growth must be factored into the rising expenditures to fund public services.



### 3. MEDICAL COMPENSATION

Québec has more than 21 000 general practitioners and medical specialists who are compensated by the Régie de l'assurance maladie du Québec.

— In 2015-2016, compensation expenditure totalled \$6.9 billion.

Medical compensation is paid in accordance with agreements negotiated between the Ministère de la Santé et des Services sociaux and the medical federations, namely, the Fédération des médecins omnipraticiens du Québec and the Fédération des médecins spécialistes du Québec.

TABLE E.1

**Number of physicians<sup>(1)</sup> in Québec – 2015-2016**  
(number)

	2015-2016
General practitioners	10 081
Medical specialists	11 387
<b>TOTAL</b>	<b>21 468</b>

(1) Physicians entitled to bill the Régie de l'assurance maladie du Québec for covered services as at March 31, 2016.  
Source: Régie de l'assurance maladie du Québec.

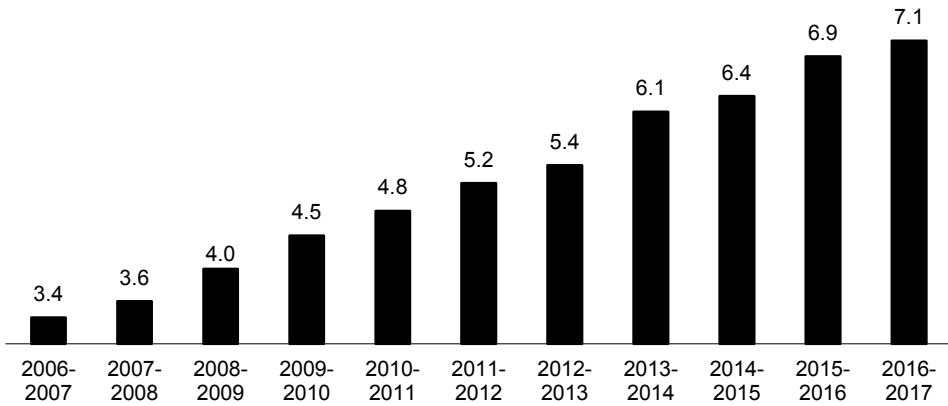
### 3.1 Substantial increase in the medical compensation budget in recent years

The compensation agreements entered into with the medical federations since 2008 have enabled a substantial increase in the compensation budget in recent years.

- In 2016-2017, the medical compensation budget was \$7.1 billion.
- Annual growth in medical compensation averaged 7.6% from 2007-2008 to 2016-2017, including the increase in medical staff.

CHART E.6

#### Change in medical compensation – 2006-2007 to 2016-2017 (billions of dollars)



Sources: Secrétariat du Conseil du trésor and Ministère des Finances du Québec.

According to Canadian Institute for Health Information (CIHI) data, the sharp increase in the medical compensation budget means that:

- the share of medical compensation in Québec health expenditure is now higher than in several other provinces;
- medical compensation in dollars per capita is higher in Québec than in Ontario and the rest of Canada.

These findings need to be confirmed by conducting a study on the medical compensation gap between Québec and the other provinces.

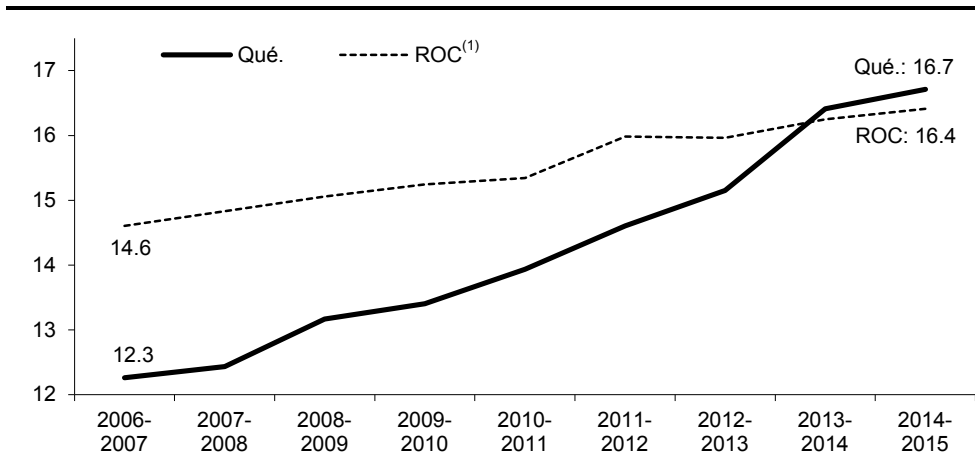
### 3.2 Share of medical compensation in Canada health expenditure

On the basis of comparative CIHI data, the share of medical compensation in total health expenditure has grown faster in Québec than in the rest of Canada.

- In Québec, the share of medical compensation in total health expenditure rose from 12.3% in 2006-2007 to 16.7% in 2014-2015, an increase of 4.4 percentage points.
- In the rest of Canada, it grew from 14.6% to 16.4%, an increase of 1.8 percentage points.

CHART E.7

**Change in medical compensation as a share of total health expenditure – 2006-2007 to 2014-2015**  
(per cent)



(1) All provinces except Québec.

Sources: Canadian Institute for Health Information, National Physician Database, 2014-2015 (total clinical payments to physicians) and National Health Expenditure Trends, 1975-2016.

### 3.3 Medical compensation per-capita

Still on the basis of comparative data, Québec spent less per capita for medical compensation than Ontario and the rest of Canada in 2006-2007.

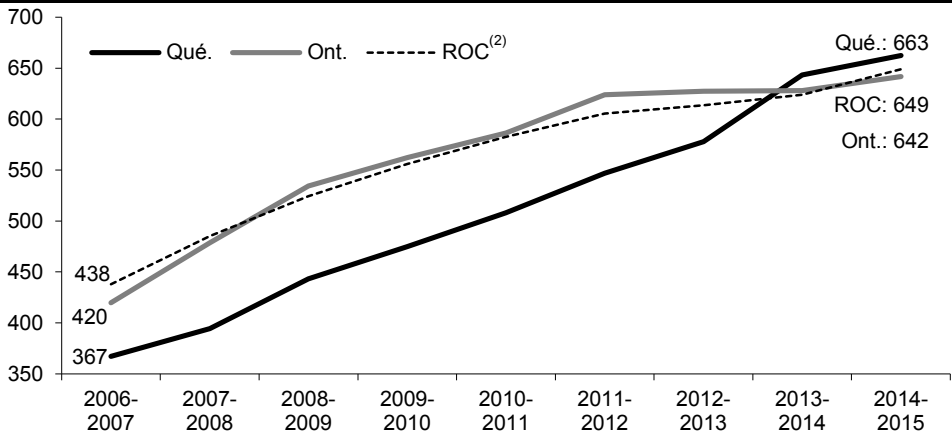
— This difference was \$71 less per capita than the rest of Canada.

In 2014-2015, under the new compensation agreements, and taking into account cost-of-living differences, Québec spent \$663 per capita for medical compensation, exceeding the average in the rest of Canada (\$649 per capita) and Ontario (\$642 per capita).

— This difference was \$14 more per capita than the rest of Canada.

CHART E.8

**Cost-of-living adjusted, per capita spending for medical compensation<sup>(1)</sup> – 2006-2007 to 2014-2015**  
(dollars per capita)



(1) The cost-of-living adjustment is calculated using comparative consumer price indexes for goods and services for cities tracked by Statistics Canada.

(2) All provinces except Québec.

Sources: Canadian Institute for Health Information, National Physician Database, 2014-2015 (total clinical payments to physicians) and Statistics Canada.

### Per-capita spending for medical compensation before taking into account cost-of-living differences

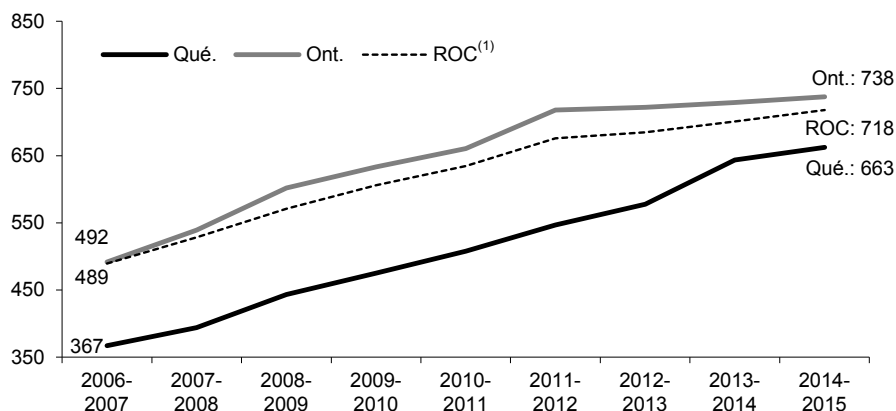
Still on the basis of comparative data, and not considering cost-of-living differences, Québec spent less per capita for medical compensation than Ontario and the rest of Canada in 2006-2007.

- The per-capita difference relative to the rest of Canada was \$122.

In 2014-2015, Québec spent \$663 per capita.

- The per-capita difference relative to the rest of Canada was reduced to \$55.

#### Per-capita spending for medical compensation – 2006-2007 to 2014-2015 (dollars per capita)



(1) All provinces except Québec.

Sources: Canadian Institute for Health Information, National Physician Database, 2014-2015 (total clinical payments to physicians) and Statistics Canada.



## **4. A NEW MEDICAL COMPENSATION AGREEMENT**

### **4.1 Main observations**

In 2007, the government and the medical federations entered into agreements to make physician compensation more competitive and appealing by, among other things, narrowing the gap between how much Québec physicians earn and how much physicians earn in other provinces.

The government has made considerable efforts over the last ten years to recognize the value of physicians' services.

- Successive agreements have enabled a substantial increase in physician compensation.
- Funding the increases demanded an effort from all Québec taxpayers.
- A number of indicators suggest that medical compensation in Québec has caught up to the other Canadian jurisdictions.

## 4.2 Principles of negotiation

In November 2014, the Ministère de la Santé et des Services sociaux signed a memorandum of agreement with each of the medical federations for the primary purpose of amending the schedule for certain medical compensation payments.

While recognizing the agreement reached with the medical federations on spreading the increases over a set number of years, the government is hoping to renegotiate the terms in keeping with its capacity to pay, that is:

- its obligation to fund all public services, including meeting the demand for services in health institutions;
- fund the increase in medical compensation.

The government would like to renegotiate the period over which a portion of the granted compensation is spread and, if applicable, move up payment of non-recurring sums owed.

The amounts freed up will be earmarked in full for health and social services institutions.



### 4.3 Government offer on the table

The government's current proposal in respect of physician compensation respects the government's capacity to pay and provides for:

- modification of the terms agreed upon in 2014 for spreading compensation increases;
- a 3% ceiling on growth of funding allocated to medical compensation;
- a study of the medical compensation gap between Québec and Ontario.

TABLE E.2

**Government proposal in respect of medical compensation**  
(millions of dollars)

	2017-2018	2018-2019	2019-2020
<b>Proposed agreement</b>	<b>7 483</b>	<b>7 708</b>	<b>7 939</b>
Increase		225	231
<i>Increase (%)</i>		<i>3.0</i>	<i>3.0</i>

## ❑ A proposal that would stabilize the share of funding allocated to medical compensation

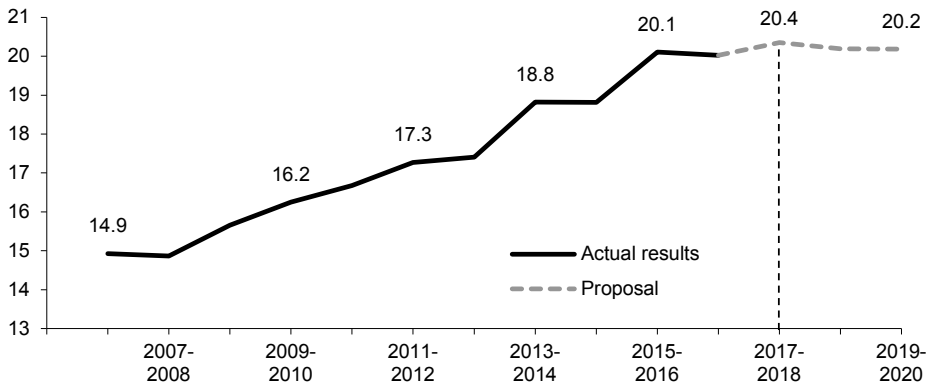
The government's current proposal would stabilize the share of medical compensation in program spending on health and social services to 20% on average between 2017-2018 and 2019-2020.

— In 2006-2007, the share was 14.9%.

The proposal maintains the share of medical compensation at an equivalent level to that in 2015-2016.

CHART E.9

### Share of medical compensation in program spending on health and social services under the government proposal (per cent)



Sources: Secrétariat du Conseil du trésor and Ministère des Finances du Québec.

# Section F

## QUÉBEC'S BUDGETARY STATISTICS

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## INTRODUCTION

The publication of Québec's budgetary statistics is an integral part of the government's budgetary accountability. It is aimed, in particular, at monitoring the government's revenue and expenditure as a whole on a historical basis. Also, forecasts for 2016-2017 to 2018-2019 complete the picture of historical trends.

This section consists of five chapters:

- consolidated results, which provide a summary of the change in consolidated revenue and expenditure;
- results by sector, which show the change in revenue and expenditure according to the various sectoral components included in the government reporting entity;
- consolidated financial transactions, which show the government's treasury and financing transactions;
- debt of the Québec government;
- statistics adjusted for historical analysis.

The first four chapters present the budgetary information as published in the public accounts, but also take into account certain changes made to government accounting over the years.

- When the impact of an accounting change on the historical statistics as a whole can be determined, the data published herein have been updated. Such situations pertain mainly to changes made to the budgetary structure and to those related to tax-funded expenditures.
- Conversely, when the impact of an accounting change cannot be determined precisely with reasonable effort, the data have not been updated. This gives rise to a break in the continuity of the data that makes it more difficult to interpret the change in data. Therefore, owing to the breaks in data caused by the 2006-2007 accounting reform and the line-by-line consolidation of the networks in 2009-2010, judgment must be exercised in comparing the data.

The information presented in Chapter 5 does not contain any breaks. The change in revenue and expenditure is presented on a comparable basis, that is, it has been adjusted using parametric estimates for the various accounting changes.



# 1. CONSOLIDATED RESULTS

TABLEAU F.1

**Summary of consolidated results**  
(millions of dollars)

	Own-source revenue	Federal transfers <sup>(1)</sup>	Consolidated revenue	Mission expenditures	Debt service	Consolidated expenditure	Contingency reserve
2018-2019	87 004	22 221	109 225	-96 533	-9 758	-106 291	-100
2017-2018	84 279	22 029	106 308	-93 852	-9 868	-103 720	-100
2016-2017	81 968	20 498	102 466	-90 387	-9 687	-100 074	-100
2015-2016	81 245	18 901	100 146	-86 493	-10 009	-96 502	
2014-2015	77 444	18 539	95 983	-85 577	-10 270	-95 847	
2013-2014	74 727	18 550	93 277	-84 382	-10 598	-94 980	
2012-2013	70 526 <sup>(5)</sup>	17 517	88 043	-80 719	-9 839	-90 558	
2011-2012	69 517	16 938	86 455	-78 792	-9 451	-88 243	
2010-2011	65 414	17 493	82 907	-76 362	-8 935	-85 297	
2009-2010	61 539	17 110	78 649	-73 745	-7 844	-81 589	
<b>Without line-by-line consolidation of the networks<sup>(7)</sup></b>							
2008-2009	58 189	15 081	73 270	-66 397	-8 131	-74 528	
2007-2008	58 434	14 733	73 167	-62 765	-8 752	-71 517	
2006-2007	57 679	11 970	69 649	-58 933	-8 723	-67 656	
<b>Before government accounting reform in 2006-2007<sup>(7)</sup></b>							
2005-2006	52 680	11 122	63 802	-56 206	-7 559	-63 765	
2004-2005	50 302	9 939	60 241	-53 456	-7 449	-60 905	
2003-2004	47 463 <sup>(5)</sup>	10 120	57 583	-50 700	-7 241	-57 941	
2002-2003	45 701 <sup>(5)</sup>	9 457	55 158	-48 754	-7 132	-55 886	
2001-2002	43 116 <sup>(5)</sup>	9 476	52 592	-46 259	-7 261	-53 520	
2000-2001	44 779	8 319	53 098	-44 115	-7 606	-51 721	
1999-2000	42 823	6 530	49 353	-41 973	-7 373	-49 346	
1998-1999	40 345	8 292	48 637	-41 324	-7 187	-48 511	
1997-1998 <sup>(10)</sup>	37 655	6 461	44 116	-38 931	-7 342	-46 273	



Surplus (deficit) in the public accounts	Generations Fund	Accounting changes and other <sup>(2)</sup>	Budgetary balance within the meaning of the Act	Stabilization reserve		Budgetary balance within the meaning of the Act after reserve <sup>(3),(4)</sup>
				Allocations	Uses	
2 834	-2 834		—			—
2 488	-2 488		—			—
2 292	-2 042		250	-250		—
3 644	-1 453		2 191	-2 191		—
136	-1 279	418	-725			-725
-1 703	-1 121		-2 824			-2 824
-2 515	-961	1 876 <sup>(6)</sup>	-1 600			-1 600
-1 788	-840		-2 628			-2 628
-2 390	-760		-3 150			-3 150
-2 940	-725	58	-3 607		433	-3 174
-1 258	-587		-1 845	-109 <sup>(8)</sup>	1 845 <sup>(9)</sup>	—
1 650	-449		1 201	-1 201	— <sup>(9)</sup>	—
1 993	-584		1 409	-1 300		109
37			37			37
-664			-664			-664
-358			-358			-358
-728			-728			-728
-928			-928		950	22
1 377			1 377	-950		427
7			7			7
126			126			126
-2 157			-2 157			-2 157

TABLEAU F.2

**Consolidated own-source revenue**  
(millions of dollars)

	<b>Personal income tax</b>	<b>Contributions for health services</b>	<b>Corporate taxes</b>	<b>School property tax<sup>(11)</sup></b>
2018-2019	31 868	6 143	7 484	2 327
2017-2018	30 569	6 036	7 227	2 257
2016-2017	29 686	6 022	6 890	2 164
2015-2016	28 753	6 614	7 016	2 090
2014-2015	27 547	6 397	5 837	1 954
2013-2014	26 203	6 251	5 625	1 786
2012-2013	25 070	6 391	6 100	1 577
2011-2012	24 524	5 776	6 022	1 526
2010-2011	23 067	5 196	5 835	1 492
2009-2010	21 567	4 788	5 554	1 469
<b>Without line-by-line consolidation of the networks<sup>(7)</sup></b>				
2008-2009	21 841	5 473	5 866	
2007-2008	22 409	5 251	6 314	
2006-2007	22 128	4 903	6 225	
<b>Before government accounting reform in 2006-2007<sup>(7)</sup></b>				
2005-2006	19 742	4 902	6 048	
2004-2005	19 251	4 734	5 431	
2003-2004	18 213	4 513	5 189	
2002-2003	18 098	3 936	4 883	
2001-2002	18 090	4 163	4 829	
2000-2001	18 842	4 343	5 005	
1999-2000	17 886	4 183	4 306	
1998-1999	17 097	4 007	4 009	
1997-1998	16 066	3 893	4 032	

Consumption taxes	Duties and permits	Miscellaneous revenue	Government enterprises	Total
20 077	3 822	10 881	4 402	87 004
19 681	3 710	10 319	4 480	84 279
19 188	3 328	9 937	4 753	81 968
18 540	3 828	9 391	5 013	81 245
17 703	3 282	9 317	5 407	77 444
17 181	2 961	9 290	5 430	74 727
16 125	2 801	9 230	3 232 <sup>(5)</sup>	70 526
15 593	2 823	8 504	4 749	69 517
13 952	2 696	8 338	4 838	65 414
12 678	2 411	8 194	4 878	61 539
12 827	2 234	4 935	5 013	58 189
12 391	1 957	5 087	5 025	58 434
12 123	1 584	4 499	6 217	57 679
11 914	1 492	4 028	4 554	52 680
11 741	1 470	3 329	4 346	50 302
11 158	1 225	3 350	3 815 <sup>(5)</sup>	47 463
10 483	1 271	3 268	3 762 <sup>(5)</sup>	45 701
9 129	1 216	2 958	2 731 <sup>(5)</sup>	43 116
9 014	1 272	2 807	3 496	44 779
8 365	1 374	2 782	3 927	42 823
8 159	1 252	2 690	3 131	40 345
7 230	1 341	2 359	2 734	37 655

TABLE F.3

**Consolidated consumption taxes**  
(millions of dollars)

	<b>Sales taxes</b>	<b>Fuel</b>	<b>Tobacco products</b>	<b>Alcoholic beverages</b>	<b>Total</b>
2018-2019	16 137	2 322	978	640	20 077
2017-2018	15 757	2 286	1 003	635	19 681
2016-2017	15 150	2 336	1 072	630	19 188
2015-2016	14 517	2 306	1 083	634	18 540
2014-2015	13 821	2 215	1 069	598	17 703
2013-2014	13 310	2 310	1 010	551	17 181
2012-2013	12 588	2 150	907	480	16 125
2011-2012	12 176	2 064	913	440	15 593
2010-2011	10 723	1 910	873	446	13 952
2009-2010	9 793	1 698	754	433	12 678
<b>Without line-by-line consolidation of the networks<sup>(7)</sup></b>					
2008-2009	10 051	1 692	654	430	12 827
2007-2008	9 556	1 707	707	421	12 391
2006-2007	9 215	1 728	758	422	12 123
<b>Before government accounting reform in 2006-2007<sup>(7)</sup></b>					
2005-2006	8 974	1 708	818	414	11 914
2004-2005	8 612	1 761	965	403	11 741
2003-2004	8 041	1 736	973	408	11 158
2002-2003	7 455	1 691	935	402	10 483
2001-2002	6 416	1 579	741	393	9 129
2000-2001	6 503	1 581	554	376	9 014
1999-2000	5 832	1 605	555	373	8 365
1998-1999	5 678	1 604	523	354	8 159
1997-1998	4 983	1 532	371	344	7 230

TABLE F.4

**Revenue from government enterprises**  
 (millions of dollars)

	Hydro-Québec	Loto-Québec	Société des alcools du Québec	Other <sup>(12)</sup>	Total
2018-2019	2 225	1 120	1 100	-43	4 402
2017-2018	2 150	1 142	1 089	99	4 480
2016-2017	2 400	1 155	1 078	120	4 753
2015-2016	2 680	1 202	1 067	64	5 013
2014-2015	3 245	1 026	1 034	102	5 407
2013-2014	3 333	1 055	1 003	39	5 430
2012-2013	919 <sup>(5)</sup>	1 194	1 030	89	3 232
2011-2012	2 545	1 196	1 000	8	4 749
2010-2011	2 478	1 247	915	198	4 838
2009-2010	2 978	1 252	867	-219	4 878
2008-2009	3 095	1 375	808	-265	5 013
2007-2008	2 926	1 360	761	-22	5 025
2006-2007	4 043 <sup>(13)</sup>	1 391	710	73	6 217
<b>Before government accounting reform in 2006-2007</b>					
2005-2006	2 323	1 537	657	37	4 554
2004-2005	2 405	1 511	546	-116	4 346
2003-2004	2 049	1 393	571	-198 <sup>(5)</sup>	3 815
2002-2003	1 840	1 353	540	29 <sup>(5)</sup>	3 762
2001-2002	1 041	1 352	489	-151 <sup>(5)</sup>	2 731
2000-2001	1 160	1 358	471	507	3 496
1999-2000	1 090	1 289	442	1 106	3 927
1998-1999	754	1 167	408	802	3 131
1997-1998	636	1 068	378	652	2 734

TABLE F.5

**Consolidated federal transfers<sup>(1)</sup>**  
(millions of dollars)

	Equalization	Health transfers	Transfers for post-secondary education and other social programs	Canada Health and Social Transfer <sup>(14)</sup>	Other programs	Total
2018-2019	11 084	6 422	1 676		3 039	22 221
2017-2018	11 081	6 110	1 640		3 198	22 029
2016-2017	10 030	5 946	1 635		2 887	20 498
2015-2016	9 521	5 487	1 542		2 351	18 901
2014-2015	9 286	5 282	1 588		2 383	18 539
2013-2014	7 833	5 290	1 534		3 893 <sup>(15)</sup>	18 550
2012-2013	7 391	4 792	1 486		3 848 <sup>(15)</sup>	17 517
2011-2012	7 815	4 511	1 488		3 124 <sup>(15)</sup>	16 938
2010-2011	8 552	4 309	1 455		3 177	17 493
2009-2010	8 355	4 148	1 461		3 146	17 110
<b>Without line-by-line consolidation of the networks<sup>(7)</sup></b>						
2008-2009	8 028	3 740	1 267		2 046	15 081
2007-2008	7 160	3 925	1 516		2 132	14 733
2006-2007	5 539	3 649	1 070		1 712	11 970
<b>Before government accounting reform in 2006-2007<sup>(7)</sup></b>						
2005-2006	4 798	3 185	1 034		2 105	11 122
2004-2005	5 221	2 422	926		1 370	9 939
2003-2004	4 065			4 266	1 789	10 120
2002-2003	5 315			2 648	1 494	9 457
2001-2002	5 336			2 958	1 182	9 476
2000-2001	5 650			1 597	1 072	8 319
1999-2000	4 387			1 120	1 023	6 530
1998-1999	5 385			1 697	1 210	8 292
1997-1998	4 229			1 660	572	6 461

TABLE F.6

**Consolidated mission expenditures<sup>(16)</sup>**  
(millions of dollars)

	Health and Social Services	Education and Culture	Economy and Environment	Support for Individuals and Families	Administration and Justice	Total
2018-2019	-41 670	-23 433	-13 352	-10 130	-7 948	-96 533
2017-2018	-40 223	-22 662	-12 965	-9 935	-8 067	-93 852
2016-2017	-38 556	-21 707	-12 698	-9 915	-7 511	-90 387
2015-2016	-37 525	-20 997	-11 720	-9 610	-6 641	-86 493
2014-2015	-36 817	-20 870	-11 557	-9 692	-6 641	-85 577
2013-2014	-35 622	-20 583	-11 964	-9 586	-6 627	-84 382
2012-2013	-34 191	-19 499	-11 418	-9 365	-6 246	-80 719
2011-2012	-32 489	-19 313	-11 591	-9 180	-6 219	-78 792
2010-2011	-31 190	-18 613	-11 387	-8 934	-6 238	-76 362
2009-2010	-30 017	-17 919	-10 636	-8 630	-6 543	-73 745
<b>Without line-by-line consolidation of the networks<sup>(7)</sup></b>						
2008-2009	-27 042	-14 852	-10 092	-8 304	-6 107	-66 397
2007-2008	-25 314	-14 282	-9 512	-8 162	-5 495	-62 765
2006-2007	-23 672	-13 264	-8 666	-7 955	-5 376	-58 933
<b>Before government accounting reform in 2006-2007<sup>(7)</sup></b>						
2005-2006	-22 494	-13 331	-7 897	-7 565	-4 919	-56 206
2004-2005	-21 565	-12 821	-7 311	-6 914	-4 845	-53 456
2003-2004	-19 966	-12 500	-7 307	-6 559	-4 368	-50 700
2002-2003	-18 694	-12 041	-7 263	-6 434	-4 322	-48 754
2001-2002	-17 836	-11 476	-6 792	-6 277	-3 878	-46 259
2000-2001	-16 720	-11 106	-6 844	-5 958	-3 487	-44 115
1999-2000	-15 369	-10 724	-6 690	-5 989	-3 201	-41 973
1998-1999	-15 080	-10 366	-6 270	-6 222	-3 386	-41 324
1997-1998	-13 338	-10 101	-5 731	-5 917	-3 844	-38 931

TABLEAU F.7

**Consolidated debt service**

(millions of dollars)

	Direct debt service	Interest on the retirement plans and employee future benefits liability <sup>(17)</sup>	Total	% of consolidated revenue
2018-2019	-8 062	-1 696	-9 758	8.9
2017-2018	-7 865	-2 003	-9 868	9.3
2016-2017	-7 326	-2 361	-9 687	9.5
2015-2016	-7 278	-2 731	-10 009	10.0
2014-2015	-7 101	-3 169	-10 270	10.7
2013-2014	-7 219	-3 379	-10 598	11.4
2012-2013	-6 755	-3 084	-9 839	11.2
2011-2012	-6 635	-2 816	-9 451	10.9
2010-2011	-6 283	-2 652	-8 935	10.8
2009-2010	-5 537	-2 307	-7 844	10.0
<b>Without line-by-line consolidation of the networks<sup>(7)</sup></b>				
2008-2009	-5 988	-2 143	-8 131	11.1
2007-2008	-6 266	-2 486	-8 752	12.0
2006-2007	-6 030	-2 693	-8 723	12.5
<b>Before government accounting reform in 2006-2007<sup>(7)</sup></b>				
2005-2006	-4 728	-2 831	-7 559	11.8
2004-2005	-4 662	-2 787	-7 449	12.4
2003-2004	-4 499	-2 742	-7 241	12.6
2002-2003	-4 484	-2 648	-7 132	12.9
2001-2002	-4 544	-2 717	-7 261	13.8
2000-2001	-5 012	-2 594	-7 606	14.3
1999-2000	-4 741	-2 632	-7 373	14.9
1998-1999	-4 773	-2 414	-7 187	14.8
1997-1998	-4 377	-2 965	-7 342	16.6



## Notes to the tables in Chapter 1

- (1) Federal transfers are presented on a cash basis until 2004-2005 and on an accrual basis thereafter.
- (2) The *Balanced Budget Act* stipulates that the budgetary balance must:
  - a) exclude the retroactive effect of a new CPA Canada standard for the years preceding the changeover year proposed by CPA Canada;
  - b) take into consideration the effects of accounting changes, for a date subsequent to March 31, 2006, posted directly to accumulated deficits. This rule does not apply to accounting changes resulting from the implementation of the 2006-2007 accounting reform.
- (3) For years prior to 2009-2010, the consolidated budgetary balance does not take into account the changes made to the mechanics of the reserve by the *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform* (S.Q. 2009, chapter 38). As of 2009-2010, the data take the impact of the Act into account.
- (4) The budgetary balance within the meaning of the *Balanced Budget Act* after reserve takes into account the allocations to and uses of the stabilization reserve to keep the budget balanced.
- (5) Own-source revenue includes Hydro-Québec's extraordinary loss of \$1 876 million stemming from the closure of the Gentilly-2 nuclear power plant in 2012-2013 and the extraordinary losses of the Société générale de financement du Québec of \$358 million in 2003-2004, \$339 million in 2002-2003 and \$91 million in 2001-2002.
- (6) The *Balanced Budget Act* stipulates that the budgetary balance for fiscal year 2012-2013 must be determined by excluding the result, shown in Hydro-Québec's annual consolidated financial statements, from activities abandoned following the decision to close the Gentilly-2 nuclear power plant.
- (7) From 2006-2007 to 2008-2009, the net results of the health and social services and education networks were established using the modified equity method. As of 2009-2010, the revenue and expenditure of the networks are consolidated line by line, like those of non-budget-funded bodies and special funds.
- (8) In accordance with section 32 of the Act (S.Q. 2009, chapter 38), the sum of \$109 million, corresponding to the difference between the recorded surplus and the anticipated surplus for 2006-2007, was allocated to the stabilization reserve in 2008-2009.
- (9) In addition to the use of \$1 845 million in 2008-2009, deposits of \$132 million in 2008-2009 and \$200 million in 2007-2008 were made in the Generations Fund using the balance of the stabilization reserve.
- (10) Data are not available prior to 1997-1998 because the government did not prepare consolidated financial statements.
- (11) As this tax is part of the education networks' revenue, it has been included in the government's consolidated financial statements only since the line-by-line consolidation of networks in 2009-2010.
- (12) Includes revenue from other government enterprises, in particular Investissement Québec, and the impact of \$14 million in 2016-2017, \$68 million in 2017-2018 and \$123 million in 2018-2019 of the Electricity Discount Program for Consumers Billed at Rate L.
- (13) Revenue from Hydro-Québec includes major gains on the disposal of investments it held in foreign businesses.
- (14) For 2003-2004 and previous years, this transfer was the main federal contribution to the funding of provincial health, post-secondary education, social assistance and social services programs. No breakdown of funding was provided for between the various spending sectors that the transfer helped to finance. Therefore, this transfer cannot be presented according to the basis used for subsequent years.

- (15) Revenue from other programs includes compensation for harmonization of the QST with the GST, totalling \$1 467 million in 2013-2014 and \$733 million in 2012-2013, as well as protection payments of \$362 million in 2012-2013 and \$369 million in 2011-2012.
- (16) Data are based on the best data available. However, certain data are reasonable estimates, in particular those for the earliest years.
- (17) This interest corresponds to interest on the obligations relating to the retirement plans and employee future benefits of public and parapublic sector employees less the investment income of the Retirement Plans Sinking Fund and funds dedicated to employee future benefits.

## **2. RESULTS BY SECTOR**

TABLE F.8

**Summary of results by sector**  
(millions of dollars)

	2009-2010 <sup>(1)</sup>	2010-2011	2011-2012	2012-2013
<b>Revenue</b>				
General Fund	59 360	62 972	66 196	66 765
Special funds	8 910	9 325	10 171	10 246
Generations Fund	725	760	840	961
Specified purpose accounts	1 152	1 616	1 477	1 098
Non-budget-funded bodies	17 190	17 000	17 874	18 512
Health and social services and education networks	33 664	34 560	35 836	37 665
Tax-funded transfers <sup>(2)</sup>	5 878	6 096	6 013	6 014
Consolidation adjustments <sup>(3)</sup>	-48 230	-49 422	-51 952	-53 218
<b>Consolidated revenue</b>	<b>78 649</b>	<b>82 907</b>	<b>86 455</b>	<b>88 043</b>
<b>Expenditure</b>				
General Fund	-58 279	-60 292	-62 180	-63 313
Special funds	-7 218	-7 664	-8 515	-8 540
Specified purpose accounts	-1 152	-1 616	-1 477	-1 098
Non-budget-funded bodies	-15 848	-15 608	-16 559	-17 191
Health and social services and education networks	-32 828	-33 602	-35 280	-36 768
Tax-funded expenditures <sup>(2)</sup>	-5 878	-6 096	-6 013	-6 014
Consolidation adjustments <sup>(3)</sup>	47 458	48 516	51 232	52 205
<b>Mission expenditures</b>	<b>-73 745</b>	<b>-76 362</b>	<b>-78 792</b>	<b>-80 719</b>
<b>Debt service</b>				
General Funds	-6 240	-7 084	-7 348	-7 766
Consolidated entities <sup>(4)</sup>	-1 604	-1 851	-2 103	-2 073
<b>Consolidated debt service</b>	<b>-7 844</b>	<b>-8 935</b>	<b>-9 451</b>	<b>-9 839</b>
<b>Consolidated expenditure</b>	<b>-81 589</b>	<b>-85 297</b>	<b>-88 243</b>	<b>-90 558</b>
Contingency reserve				
<b>SURPLUS (DEFICIT)</b>	<b>-2 940</b>	<b>-2 390</b>	<b>-1 788</b>	<b>-2 515</b>

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
71 230	73 152	76 076	77 768	80 302	82 542
10 957	11 524	11 923	11 861	12 500	12 968
1 121	1 279	1 453	2 042	2 488	2 834
1 011	1 000	984	1 291	1 421	1 041
19 268	19 213	20 159	20 816	21 193	21 846
38 299	39 357	39 377	40 147	41 583	42 878
6 317	6 641	6 848	6 428	6 536	6 561
-54 926	-56 183	-56 674	-57 887	-59 715	-61 445
<b>93 277</b>	<b>95 983</b>	<b>100 146</b>	<b>102 466</b>	<b>106 308</b>	<b>109 225</b>
-65 905	-66 950	-67 186	-69 752	-72 591	-75 016
-9 328	-9 594	-9 679	-10 588	-10 815	-11 267
-1 011	-1 000	-984	-1 291	-1 421	-1 041
-18 116	-17 933	-18 861	-19 816	-20 461	-21 214
-37 526	-38 602	-38 511	-39 262	-40 698	-41 936
-6 317	-6 641	-6 848	-6 428	-6 536	-6 561
53 821	55 143	55 576	56 750	58 670	60 502
<b>-84 382</b>	<b>-85 577</b>	<b>-86 493</b>	<b>-90 387</b>	<b>-93 852</b>	<b>-96 533</b>
-8 434	-8 150	-7 955	-7 602	-7 776	-7 567
-2 164	-2 120	-2 054	-2 085	-2 092	-2 191
<b>-10 598</b>	<b>-10 270</b>	<b>-10 009</b>	<b>-9 687</b>	<b>-9 868</b>	<b>-9 758</b>
<b>-94 980</b>	<b>-95 847</b>	<b>-96 502</b>	<b>-100 074</b>	<b>-103 720</b>	<b>-106 291</b>
			-100	-100	-100
<b>-1 703</b>	<b>136</b>	<b>3 644</b>	<b>2 292</b>	<b>2 488</b>	<b>2 834</b>

TABLE F.9

**General Fund**  
(millions of dollars)

	Own-source revenue <sup>(5),(6)</sup>	Federal transfers <sup>(7)</sup>	Total revenue	Program spending	Debt service	Total expenditure
2018-2019	62 183	20 359	82 542	-75 016	-7 567	-82 583
2017-2018	60 249	20 053	80 302	-72 591	-7 776	-80 367
2016-2017	59 184	18 584	77 768	-69 752	-7 602	-77 354
2015-2016	58 663	17 413	76 076	-67 186	-7 955	-75 141
2014-2015	55 892	17 260	73 152	-66 950	-8 150	-75 100
2013-2014	54 272	16 958	71 230	-65 905	-8 434	-74 339
2012-2013	51 058 <sup>(8)</sup>	15 707	66 765	-63 313	-7 766	-71 079
2011-2012	50 953	15 243	66 196	-62 180	-7 348	-69 528
2010-2011	47 547	15 425	62 972	-60 292	-7 084	-67 376
2009-2010	44 199	15 161	59 360	-58 279	-6 240	-64 519
2008-2009	45 222	14 023	59 245	-55 258	-6 639	-61 897
2007-2008	45 951	13 629	59 580	-51 833	-7 160	-58 993
2006-2007	46 256	11 015	57 271	-49 081	-7 185	-56 266
<b>Before government accounting reform in 2006-2007</b>						
2005-2006	42 460	9 969	52 429	-46 839	-7 042	-53 881
2004-2005	41 164	9 229	50 393	-45 537	-7 035	-52 572
2003-2004	38 917 <sup>(8)</sup>	9 370	48 287	-43 419	-6 850	-50 269
2002-2003	37 403 <sup>(8)</sup>	8 932	46 335	-41 927	-6 804	-48 731
2001-2002	35 717 <sup>(8)</sup>	8 885	44 602	-40 147	-6 930	-47 077
2000-2001	37 486	7 895	45 381	-38 356	-7 248	-45 604
1999-2000	35 413	6 064	41 477	-35 998	-7 035	-43 033
1998-1999	32 946	7 813	40 759	-35 392	-6 853	-42 245
1997-1998	30 426	5 656	36 082	-32 993	-7 039	-40 032

TABLE F.10

**Special funds<sup>(1)</sup>**  
(millions of dollars)

	Own-source revenue	Québec government transfers	Federal transfers	Total revenue	Mission expenditures	Debt service	Total expenditure	Surplus (deficit)
2018-2019	8 002	4 856	110	12 968	-11 267	-1 663	-12 930	38
2017-2018	7 644	4 720	136	12 500	-10 815	-1 535	-12 350	150
2016-2017	7 070	4 676	115	11 861	-10 588	-1 481	-12 069	-208
2015-2016	7 333	4 523	67	11 923	-9 679	-1 378	-11 057	866
2014-2015	6 847	4 588	89	11 524	-9 594	-1 375	-10 969	555
2013-2014	6 329	4 513	115	10 957	-9 328	-1 204	-10 532	425
2012-2013	5 749	4 337	160	10 246	-8 540	-1 047	-9 587	659
2011-2012	5 486	4 599	86	10 171	-8 515	-973	-9 488	683
2010-2011	4 873	4 070	382	9 325	-7 664	-817	-8 481	844
2009-2010	4 633	3 812	465	8 910	-7 218	-654	-7 872	1 038

TABLE F.11

**Generations Fund<sup>(9)</sup>**  
(millions of dollars)

	Dedicated revenues										Deposits in the Generations Fund
	Water-power royalties		Indexation of the price of heritage electricity	Other contributions from Hydro-Québec	Mining revenues	Specific tax on alcoholic beverages	Unclaimed property	Investment income	Total	Other deposits	
	Hydro-Québec	Private producers									
2018-2019	687	100	245	215	241	500	30	816	2 834		2 834
2017-2018	680	99	215	215	123	500	30	626	2 488		2 488
2016-2017	671	103	164		77	500	55	472	2 042		2 042
2015-2016	641	100	98		161	100	55	298	1 453	131 <sup>(10)</sup>	1 584
2014-2015	660	101	71		—	100	32	315	1 279		1 279
2013-2014	670	93					19	339	1 121	300 <sup>(11)</sup>	1 421
2012-2013	625	92					12	232	961		961
2011-2012	591	91					9	149	840		840
2010-2011	560	90					16	94	760		760
2009-2010	569	89					7	60	725		725
2008-2009	548	88					1	−50	587	132 <sup>(12)</sup>	719
2007-2008	367	46					—	36	449	200 <sup>(13)</sup>	649
2006-2007	65	11		500 <sup>(14)</sup>			5	3	584		584



TABLE F.12

**Specified purpose accounts**  
(millions of dollars)

	Own-source revenue	Federal transfers	Total revenue	Mission expenditures	Debt service	Total expenditure	Surplus (deficit)
2018-2019	167	874	1 041	-1 041	—	-1 041	—
2017-2018	216	1 205	1 421	-1 421	—	-1 421	—
2016-2017	188	1 103	1 291	-1 291	—	-1 291	—
2015-2016	236	748	984	-984	—	-984	—
2014-2015	212	788	1 000	-1 000	—	-1 000	—
2013-2014	198	813	1 011	-1 011	—	-1 011	—
2012-2013	225	873	1 098	-1 098	—	-1 098	—
2011-2012	252	1 225	1 477	-1 477	—	-1 477	—
2010-2011	135	1 481	1 616	-1 616	—	-1 616	—
2009-2010	295	857	1 152	-1 152	—	-1 152	—
2008-2009	257	709	966	-966	—	-966	—
2007-2008	267	716	983	-983	—	-983	—
2006-2007	237	572	809	-809	—	-809	—
<b>Before government accounting reform in 2006-2007</b>							
2005-2006	229	836	1 065	-1 065	—	-1 065	—
2004-2005	211	387	598	-598	—	-598	—
2003-2004	219	451	670	-670	—	-670	—
2002-2003	242	263	505	-505	—	-505	—
2001-2002	193	329	522	-522	—	-522	—
2000-2001	158	185	343	-343	—	-343	—
1999-2000	138	141	279	-279	—	-279	—
1998-1999	121	181	302	-302	—	-302	—
1997-1998	119	486	605	-605	—	-605	—

TABLE F.13

**Non-budget-funded bodies<sup>(1)</sup>**  
(millions of dollars)

	Own-source revenue	Québec government transfers	Federal transfers	Total revenue	Mission expenditures	Debt service	Total expenditure	Surplus (deficit)
2018-2019	6 396	14 213	1 237	21 846	-21 214	-586	-21 800	46
2017-2018	6 379	13 683	1 131	21 193	-20 461	-599	-21 060	133
2016-2017	6 659	13 011	1 146	20 816	-19 816	-705	-20 521	295
2015-2016	6 170	13 037	952	20 159	-18 861	-818	-19 679	480
2014-2015	6 166	12 418	629	19 213	-17 933	-898	-18 831	382
2013-2014	6 318	11 965	985	19 268	-18 116	-1 071	-19 187	81
2012-2013	6 109	11 316	1 087	18 512	-17 191	-1 137	-18 328	184
2011-2012	6 000	10 963	911	17 874	-16 559	-1 216	-17 775	99
2010-2011	5 803	10 593	604	17 000	-15 608	-1 192	-16 800	200
2009-2010	5 551	10 639	1 000	17 190	-15 848	-1 083	-16 931	259

TABLE F.14

**Health and social services and education networks<sup>(1)</sup>**  
(millions of dollars)

	Own-source revenue	Québec government transfers	Federal transfers	Total revenue	Mission expenditures	Debt service	Total expenditure	Surplus (deficit)
2018-2019	6 664	35 918	296	42 878	-41 936	-942	-42 878	—
2017-2018	6 420	34 872	291	41 583	-40 698	-885	-41 583	—
2016-2017	6 156	33 702	289	40 147	-39 262	-850	-40 112	35
2015-2016	6 116	32 943	318	39 377	-38 511	-806	-39 317	60
2014-2015	6 036	32 976	345	39 357	-38 602	-817	-39 419	-62
2013-2014	5 704	32 312	283	38 299	-37 526	-834	-38 360	-61
2012-2013	5 702	31 657	306	37 665	-36 768	-850	-37 618	47
2011-2012	5 527	30 079	230	35 836	-35 280	-851	-36 131	-295
2010-2011	5 234	29 016	310	34 560	-33 602	-798	-34 400	160
2009-2010	5 413	28 022	229	33 664	-32 828	-677	-33 505	159

TABLE F.15

**Tax-funded expenditures and consolidation adjustments**  
(millions of dollars)

	Tax-funded expenditures <sup>(2)</sup>		Consolidation adjustments <sup>(3)</sup>					Debt service
	Own-source revenue	Mission expenditures	Own-source revenue	Québec government transfers	Federal transfers	Total revenue	Mission expenditures	
2018-2019	6 561	-6 561	-5 803	-54 987	-655	-61 445	60 502	1 000
2017-2018	6 536	-6 536	-5 653	-53 275	-787	-59 715	58 670	927
2016-2017	6 428	-6 428	-5 759	-51 389	-739	-57 887	56 750	951
2015-2016	6 848	-6 848	-5 574	-50 503	-597	-56 674	55 576	948
2014-2015	6 641	-6 641	-5 629	-49 982	-572	-56 183	55 143	970
2013-2014	6 317	-6 317	-5 532	-48 790	-604	-54 926	53 821	945
2012-2013	6 014	-6 014	-5 292	-47 310	-616	-53 218	52 205	961
2011-2012	6 013	-6 013	-5 554	-45 641	-757	-51 952	51 232	937
2010-2011	6 096	-6 096	-5 034	-43 679	-709	-49 422	48 516	956
2009-2010	5 878	-5 878	-5 155	-42 473	-602	-48 230	47 458	810
<b>Without line-by-line consolidation of the networks</b>								
2008-2009	5 484	-5 484						
2007-2008	5 050	-5 050						
2006-2007	4 796	-4 796						
<b>Before government accounting reform in 2006-2007</b>								
2005-2006	4 226	-4 226						
2004-2005	3 705	-3 705						
2003-2004	3 183	-3 183						
2002-2003	3 146	-3 146						
2001-2002	2 678	-2 678						
2000-2001	2 718	-2 718						
1999-2000	2 849	-2 849						
1998-1999	3 017	-3 017						
1997-1998	3 226	-3 226						

## Notes to the tables in Chapter 2

- (1) Prior to 2009-2010, separate data for special funds, non-budget-funded bodies and the health and social services and education networks cannot be obtained with reasonable effort.
- (2) Includes doubtful tax accounts.
- (3) The consolidation adjustments stem mainly from the elimination of reciprocal transactions between entities in different sectors.
- (4) Includes consolidation adjustments.
- (5) Own-source revenue includes that of government enterprises.
- (6) Doubtful tax accounts are applied against revenue.
- (7) Revenues are presented on a cash basis until 2004-2005 and on an accrual basis thereafter.
- (8) Own-source revenue includes Hydro-Québec's extraordinary loss of \$1 876 million stemming from the closure of the Gentilly-2 nuclear power plant in 2012-2013 and the extraordinary losses of the Société générale de financement du Québec of \$358 million in 2003-2004, \$339 million in 2002-2003 and \$91 million in 2001-2002.
- (9) The Generations Fund began operations on January 1, 2007 pursuant to the *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1).
- (10) Deposit of \$131 million from the accumulated surplus of the Commission des normes du travail.
- (11) Deposit of \$300 million from the Territorial Information Fund.
- (12) Deposit of \$132 million from the stabilization reserve derived from the sale of assets by the Société immobilière du Québec.
- (13) Deposit of \$200 million from the sums allocated to the budgetary reserve in 2006-2007.
- (14) Revenue from the sale of Hydro-Québec's investment in Transelec Chile.



### **3. CONSOLIDATED FINANCIAL TRANSACTIONS**

TABLE F.16

**Consolidated net financial requirements<sup>(1)</sup>**  
(millions of dollars)

	Budgetary transactions		Non-budgetary transactions	
	Surplus (deficit)	Uses of (allocations to) the reserve	Investments, loans and advances	Capital expenditures <sup>(2)</sup>
2018-2019	2 834		-1 989	-3 220
2017-2018	2 488		-2 047	-3 679
2016-2017	2 292	— <sup>(4)</sup>	-2 970	-2 190
2015-2016	3 644	— <sup>(4)</sup>	-808	-2 176
2014-2015	136		-2 146	-2 312
2013-2014	-1 703		-1 349	-3 033
2012-2013	-2 515		-775	-3 312
2011-2012	-1 788		-1 861	-3 623
2010-2011	-2 390		-3 173	-4 018
2009-2010 <sup>(5)</sup>	-2 940	491 <sup>(6)</sup>	-2 009	-3 939
<b>Without line-by-line consolidation of the networks</b>				
2008-2009	-1 258	1 845	-966	-2 150
2007-2008	1 650	-1 201	-2 658	-1 378
2006-2007	1 993	-1 300	-2 213	-1 177
<b>Before government accounting reform in 2006-2007</b>				
2005-2006	37		-1 182	-1 166
2004-2005	-664		-979	-1 083
2003-2004	-358		-1 125	-1 019
2002-2003	-728		-1 651	-1 482
2001-2002	-928	950	-1 142	-995
2000-2001	1 377	-950	-1 632	-473
1999-2000	7		-2 006	-359
1998-1999	126		-1 402	-217
1997-1998	-2 157		-1 315	-209



Non-budgetary transactions (cont.)				
Net investments in the networks <sup>(3)</sup>	Retirement plans	Other accounts	Total	Net financial surplus (requirements)
	3 105	81	-2 023	811
	3 165	-480	-3 041	-553
	3 083	-132	-2 209	83
	3 505	268	789	4 433
	3 662	-292	-1 088	-952
	3 352	2 324	1 294	-409
	2 898	-414	-1 603	-4 118
	2 918	-1 160	-3 726	-5 514
	3 526	1 901	-1 764	-4 154
	2 612	1 354	-1 982	-4 431
-622	2 274	645	-819	-232
-487	2 458	988	-1 077	-628
-1 002	2 559	-1 620	-3 453	-2 760
	2 310	-208	-246	-209
	2 134	174	246	-418
	2 219	-1 183	-1 108	-1 466
	2 007	217	-909	-1 637
	2 089	-589	-637	-615
	1 793	-631	-943	-516
	1 740	1 328	703	710
	1 020	996	397	523
	1 888	109	473	-1 684

## Supplementary information on financial transactions

### Consolidated non-budgetary transactions<sup>(1)</sup> (millions of dollars)

	2012-2013	2013-2014	2014-2015	2015-2016
<b>Investments, loans and advances</b>				
General Fund				
Government enterprises				
Change in the equity value of investments	-363	-1 165	-812	-384
Loans and advances				
Investissement Québec	-46	-66	-47	-6
Loto-Québec	-34	-100	50	75
Other	—	1	1	3
<b>Subtotal – Government enterprises</b>	<b>-443</b>	<b>-1 330</b>	<b>-808</b>	<b>-312</b>
Individuals, corporations and others	21	1 024	-575	-551
<b>Subtotal – General Fund</b>	<b>-422</b>	<b>-306</b>	<b>-1 383</b>	<b>-863</b>
Consolidated entities	-353	-1 043	-763	55
<b>Total – Investments, loans and advances</b>	<b>-775</b>	<b>-1 349</b>	<b>-2 146</b>	<b>-808</b>
<b>Capital expenditures<sup>(2)</sup></b>				
General Fund				
Net investments	-168	-162	-136	-124
Depreciation	147	145	136	132
Consolidated entities	-3 291	-3 016	-2 312	-2 184
<b>Total – Capital expenditures</b>	<b>-3 312</b>	<b>-3 033</b>	<b>-2 312</b>	<b>-2 176</b>
<b>Retirement plans and other employee future benefits</b>				
General Fund				
Cost of vested benefits, <sup>(7)</sup> amortization and contributions	2 581	3 014	3 196	3 224
Interest on the actuarial obligation	5 079	5 382	5 630	5 783
Benefits, repayments and administrative expenses	-4 991	-5 279	-5 477	-5 723
Consolidated entities	229	235	313	221
<b>Total – Retirement plans and other employee future benefits</b>	<b>2 898</b>	<b>3 352</b>	<b>3 662</b>	<b>3 505</b>
<b>Other accounts</b>	<b>-414</b>	<b>2 324</b>	<b>-292</b>	<b>268</b>
<b>TOTAL NON-BUDGETARY TRANSACTIONS</b>	<b>-1 603</b>	<b>1 294</b>	<b>-1 088</b>	<b>789</b>

## Supplementary information on financial transactions (cont.)

### Consolidated financing transactions<sup>(1)</sup> (millions of dollars)

	2012-2013	2013-2014	2014-2015	2015-2016
<b>Change in cash position</b>				
General Fund	951	-2 320	-3 839	1 131
Consolidated entities	-51	-17	-561	504
<b>Total – Change in cash position</b>	<b>900</b>	<b>-2 337</b>	<b>-4 400</b>	<b>1 635</b>
<b>Net borrowings</b>				
General Fund				
New borrowings	12 498	12 530	20 348	16 437
Repayment of borrowings	-8 045	-8 446 <sup>(8)</sup>	-11 051	-16 449
<b>Subtotal – General Fund</b>	<b>4 453</b>	<b>4 084</b>	<b>9 297</b>	<b>-12</b>
Consolidated entities				
New borrowings	7 798	8 735	7 603	6 109
Repayment of borrowings	-4 778	-6 480	-6 107	-5 649
<b>Subtotal – Consolidated entities</b>	<b>3 020</b>	<b>2 255</b>	<b>1 496</b>	<b>460</b>
<b>Total – Net borrowings</b>	<b>7 473</b>	<b>6 339</b>	<b>10 793</b>	<b>448</b>
<b>Retirement Plans Sinking Fund,<sup>(9)</sup> other retirement plan assets and funds dedicated to employee future benefits<sup>(10)</sup></b>	<b>-3 294</b>	<b>-3 172</b>	<b>-4 162</b>	<b>-4 932</b>
<b>Generations Fund</b>	<b>-961</b>	<b>-421<sup>(11)</sup></b>	<b>-1 279</b>	<b>-1 584<sup>(12)</sup></b>
<b>TOTAL FINANCING TRANSACTIONS</b>	<b>4 118</b>	<b>409</b>	<b>952</b>	<b>-4 433</b>

## Notes to the tables in Chapter 3

- (1) A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.
- (2) Excludes investments made under public-private partnerships that do not have an impact on net financial requirements because they were made and financed by private-sector partners.
- (3) From 2006-2007 to 2008-2009, the net investments of the health and social services and education networks were established using the modified equity method.
- (4) Allocations of \$2 191 million to the stabilization reserve in 2015-2016 and \$250 million in 2016-2017 are not considered as net financial requirements because they are non-monetary transactions.
- (5) With line-by-line consolidation, the investments, loans and advances, capital expenditures and other accounts of the networks are taken into account as of 2009-2010.
- (6) Includes an accounting change of \$58 million.
- (7) Actuarial value of retirement benefits credited during the fiscal year, calculated according to the actuarial projected benefit method prorated on service.
- (8) A sum of \$1 000 million from the Generations Fund was used for the repayment of borrowings.
- (9) This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The investment income of this fund is reinvested in it and applied against the interest on the actuarial obligation to determine the debt service on the retirement plans liability.
- (10) Employee future benefits funds receive amounts used to cover employee future benefits (accumulated sick leave and survivor's pension) payable to government employees.
- (11) The change in the balance of the Generations Fund includes dedicated revenues of \$1 121 million, a deposit of \$300 million out of the Territorial Information Fund and the use of \$1 000 million for the repayment of borrowings.
- (12) The change in the balance of the Generations Fund includes dedicated revenues of \$1 453 million and a deposit of \$131 million from the accumulated surplus of the Commission des normes du travail.

## **4. DEBT OF THE QUÉBEC GOVERNMENT**

TABLE F.17

**Debt of the Québec government**

Consolidated direct debt <sup>(1)</sup>		Net retirement plans and employee future benefits liability <sup>(2)</sup>	Less: Generations Fund	Debt <sup>(1)</sup>		
(\$million)	(% of GDP)			(\$million)	(% of GDP)	
				Gross debt – Networks consolidated line by line		
Data taking into account line-by-line consolidation of the networks						
2018-2019	206 413	49.3	22 734	-15 886	213 261	50.9
2017-2018	199 822	49.3	24 054	-13 052	210 824	52.0
2016-2017	192 649	49.1	24 868	-10 564	206 953	52.7
2015-2016	185 124	48.6	26 745	-8 522	203 347	53.4
2014-2015	182 723	49.2	28 172	-6 938	203 957	54.9
2013-2014	174 794	48.0	28 672	-5 659	197 807	54.3
2012-2013	168 612	47.6	28 492	-5 238	191 866	54.2
2011-2012	158 887	46.1	28 774	-4 277	183 384	53.2
2010-2011	147 748	45.0	29 125	-3 437	173 436	52.9
2009-2010	136 074	43.3	29 921	-2 677	163 318	51.9
2008-2009 <sup>(3)</sup>	129 745	41.3	29 837	-1 952	157 630	50.1
				Gross debt – Networks consolidated at modified equity value		
Without line-by-line consolidation of the networks <sup>(4),(5)</sup>						
2008-2009 <sup>(3)</sup>	124 629	39.6	29 837	-1 952	152 514	48.5
2007-2008	118 032	38.6	32 426	-1 233	149 225	48.8
2006-2007	110 412	38.0	34 677	-584	144 505	49.7
2005-2006	103 339	36.9	36 389		139 728	49.9
2004-2005	98 842	36.4	38 052		136 894	50.4
2003-2004	93 325	36.0	39 906		133 231	51.4
2002-2003	89 083	35.7	40 052		129 135	51.7
2001-2002	84 451	35.4	39 461		123 912	51.9
2000-2001	80 108	34.8	40 454		120 562	52.4
1999-2000	76 166	35.4	40 595		116 761	54.2
1998-1999	73 803	36.8	41 629		115 432	57.6
1997-1998	69 995	36.3	41 530		111 525	57.8
Total debt – Data not restated to include the impact of the 1997-1998 and 2006-2007 accounting reforms						
Before government accounting reforms <sup>(6)</sup>						
1996-1997	52 625	28.5	25 461		78 086	42.3
1995-1996	52 886	29.1	23 624		76 510	42.2
1994-1995	52 468	30.1	21 997		74 465	42.8
1993-1994	45 160	27.4	20 483		65 643	39.8
1992-1993	39 231	24.4	19 668		58 899	36.6
1991-1992	33 106	21.0	18 143		51 249	32.5
1990-1991	29 637	19.0	16 227		45 864	29.5
1989-1990	27 699	18.4	14 320		42 019	28.0
1988-1989	27 091	18.9	12 597		39 688	27.7
1987-1988	26 819	20.4	10 883		37 702	28.7
1986-1987	25 606	21.4	9 353		34 959	29.2
1985-1986	23 633	21.5	7 998		31 631	28.7
1984-1985	21 216	20.6	6 729		27 945	27.1
1983-1984	18 880	20.1	5 545		24 425	26.0
1982-1983	16 485	18.9	4 489		20 974	24.0
1981-1982	14 184	17.2	3 428		17 612	21.4
1980-1981	12 247	16.5	2 420		14 667	19.7
1979-1980	9 472	14.2	1 598		11 070	16.6
1978-1979	8 325	14.0	915		9 240	15.5
1977-1978	7 111	13.3	620		7 731	14.4
1976-1977	6 035	12.4	354		6 389	13.1
1975-1976	4 955	11.9	179		5 134	12.3
1974-1975	4 030	10.9	67		4 097	11.1
1973-1974	3 679	11.7			3 679	11.7
1972-1973	3 309	12.0			3 309	12.0
1971-1972	2 920	11.9			2 920	11.9
1970-1971	2 479	10.9			2 479	10.9

TABLEAU F.18

**Net debt of the Québec government<sup>(7)</sup>**

	(\$million)	(% of GDP)
2018-2019	186 992	44.6
2017-2018	186 503	46.0
2016-2017	185 214	47.2
2015-2016	185 025	48.6
2014-2015	185 687	50.0
2013-2014	183 252	50.3
2012-2013	180 037	50.9
2011-2012	167 700	48.6
2010-2011	159 333	48.6
2009-2010	151 608	48.2
<b>Without line-by-line consolidation of the networks<sup>(4)</sup></b>		
2008-2009	134 237	42.7
2007-2008	124 681	40.7
2006-2007	124 297	42.8
<b>Before government accounting reform in 2006-2007<sup>(8)</sup></b>		
2005-2006	104 683	37.4
2004-2005	99 042	36.4
2003-2004	97 025	37.4
2002-2003	95 601	38.3
2001-2002	92 772	38.9
2000-2001	88 208	38.3
1999-2000	89 162	41.4
1998-1999	88 810	44.3
1997-1998	88 597	45.9
<b>Before government accounting reforms<sup>(6)</sup></b>		
1996-1997	64 833	35.2
1995-1996	61 624	34.0
1994-1995	57 677	33.1
1993-1994	51 837	31.4
1992-1993	46 914	29.2
1991-1992	41 885	26.6
1990-1991	37 558	24.1
1989-1990	34 583	23.0
1988-1989	32 819	22.9
1987-1988	31 115	23.7
1986-1987	28 716	24.0
1985-1986	25 735	23.4
1984-1985	21 455	20.8
1983-1984	17 298	18.4
1982-1983	15 038	17.2
1981-1982	12 569	15.2
1980-1981	14 326	19.2
1979-1980	10 836	16.3
1978-1979	8 460	14.2
1977-1978	7 058	13.2
1976-1977	6 353	13.0
1975-1976	5 044	12.1
1974-1975	4 093	11.1
1973-1974	3 651	11.6
1972-1973	2 992	10.9
1971-1972	2 645	10.8
1970-1971	2 290	10.1

TABLE F.19

**Debt representing accumulated deficits**

	Debt representing accumulated deficits for the purposes of the public accounts <sup>(7),(9)</sup>		Plus: Balance of the stabilization reserve	Debt representing accumulated deficits after taking into account the stabilization reserve	
	(\$million)	(% of GDP)		(\$million)	(% of GDP)
2018-2019	110 316	26.3	2 441	112 757	26.9
2017-2018	113 150	27.9	2 441	115 591	28.5
2016-2017	115 638	29.5	2 441	118 079	30.1
2015-2016	117 930	31.0	2 191	120 121	31.5
2014-2015	121 268	32.7		121 268	32.7
2013-2014	121 847	33.4		121 847	33.4
2012-2013	122 615	34.6		122 615	34.6
2011-2012	115 220	33.4		115 220	33.4
2010-2011	111 946	34.1		111 946	34.1
2009-2010	109 125	34.7		109 125	34.7
2008-2009	103 000	32.8	433	103 433	32.9
2007-2008	94 824	31.0	2 301	97 125	31.7
2006-2007	96 124	33.1	1 300	97 424	33.5
<b>Before government accounting reform in 2006-2007<sup>(8)</sup></b>					
2005-2006	91 699 <sup>(10)</sup>	32.7		91 699 <sup>(10)</sup>	32.7
2004-2005	87 224	32.1		87 224	32.1
2003-2004	86 290	33.3		86 290	33.3
2002-2003	85 885	34.4		85 885	34.4
2001-2002	84 538	35.4		84 538	35.4
2000-2001	81 042	35.2	950	81 992	35.6
1999-2000	82 469	38.3		82 469	38.3
1998-1999	82 577	41.2		82 577	41.2
1997-1998	82 581	42.8		82 581	42.8
<b>Before government accounting reforms<sup>(6)</sup></b>					
1996-1997	64 833	35.2		64 833	35.2
1995-1996	61 624	34.0		61 624	34.0
1994-1995	57 677	33.1		57 677	33.1
1993-1994	51 837	31.4		51 837	31.4
1992-1993	46 914	29.2		46 914	29.2
1991-1992	41 885	26.6		41 885	26.6
1990-1991	37 558	24.1		37 558	24.1
1989-1990	34 583	23.0		34 583	23.0
1988-1989	32 819	22.9		32 819	22.9
1987-1988	31 115	23.7		31 115	23.7
1986-1987	28 716	24.0		28 716	24.0
1985-1986	25 735	23.4		25 735	23.4
1984-1985	21 455	20.8		21 455	20.8
1983-1984	17 298	18.4		17 298	18.4
1982-1983	15 038	17.2		15 038	17.2
1981-1982	12 569	15.2		12 569	15.2
1980-1981	14 326	19.2		14 326	19.2
1979-1980	10 836	16.3		10 836	16.3
1978-1979	8 460	14.2		8 460	14.2
1977-1978	7 058	13.2		7 058	13.2
1976-1977	6 353	13.0		6 353	13.0
1975-1976	5 044	12.1		5 044	12.1
1974-1975	4 093	11.1		4 093	11.1
1973-1974	3 651	11.6		3 651	11.6
1972-1973	2 992	10.9		2 992	10.9
1971-1972	2 645	10.8		2 645	10.8
1970-1971	2 290	10.1		2 290	10.1



**Notes to the tables in Chapter 4**

- (1) Excludes deferred foreign exchange gains or losses and pre-financing. As of 2016-2017, the debt contracted by the Financing Fund to finance government enterprises and entities not included in the reporting entity is included in the debt.
- (2) The net liability of retirement plans and employee future benefits less the assets of retirement plans and employee future benefits.
- (3) To facilitate the comparability of historical data and due to the amounts involved, two results have been presented for 2008-2009. The first is obtained using the modified equity basis of consolidation for network bodies and the second, using the line-by-line consolidation method. The latter method is used as of fiscal 2009-2010.
- (4) Data for 2009-2010 to 2018-2019 are not comparable to data for previous years.
- (5) Data for 1997-1998 to 2005-2006 have been restated to take into account the impact of the accounting reform in 2006-2007.
- (6) Data for 1970-1971 to 1996-1997 are not comparable to data for 1997-1998 to 2018-2019.
- (7) For certain fiscal years, the data presented are the data restated in the public accounts for the subsequent fiscal year because of accounting changes.
- (8) Data for 1997-1998 to 2005-2006 are not comparable to data for 1970-1971 to 1996-1997 or to data for 2006-2007 to 2018-2019.
- (9) Before taking the stabilization reserve into account.
- (10) The increase observed in 2005-2006 is mainly attributable to the implementation of accrual accounting for federal transfers.



## **5. STATISTICS FOR HISTORICAL ANALYSIS**

The budgetary statistics presented in this chapter do not contain any breaks linked to certain accounting reforms. The change in revenue and expenditure is presented on a comparable basis; in other words, it has been adjusted to the various accounting changes made following the accounting reforms, among others.

- These statistics are provided for historical analysis purposes.
- They reflect the best parametric estimates that could be made by the Ministère des Finances du Québec and will continue to evolve as changes are made to government accounting and hypotheses are refined.

Two major accounting reforms were carried out in 2006-2007 and 2009-2010. These reforms were designed, in particular, to consolidate the health and social services and education networks.

- In this regard, as of 2009-2010, the revenue and expenditure of the networks have been consolidated line by line, like those of non-budget-funded bodies and special funds.
  - Since this consolidation, roughly \$4 billion in own-source revenue of network institutions has been included in the government's consolidated revenue.
  - This includes, among other things, revenue in respect of the school property tax and various user contributions, such as tuition fees.
- These two accounting reforms have thus led to major breaks in the historical budgetary statistics published to date.

## Method used to adjust the budgetary statistics according to the impact of accounting changes

When the impact of an accounting reform or an accounting change on historical budgetary statistics as a whole cannot be determined with reasonable effort, a break appears in the chronological series, making them more complicated to interpret.

- To offset such breaks, a method has been used to adjust the statistics.

### Method used to adjust the statistics

The chronological series have been reconstructed using growth rates for the budgetary statistics, obtained using data from the public accounts and Chapter 1 of this section.

- For 2012-2013 to 2014-2015, growth rates were determined using the public accounts for each year in order to take into account updated data for the previous year that could not be applied to the budgetary statistics as a whole, presented in chapters 1 to 3.
  - For example, the restated data for 2012-2013 contained in Public Accounts 2013-2014 were used to determine the growth rate for consolidated revenue in 2013-2014 on the basis of a more accurate comparison.
- For 2006-2007 and 2009-2010, where accounting changes cause a break in the chronological series, growth rates are calculated by subtracting the impact of the accounting changes, indicated in the public accounts for those years, from the data in Chapter 1.

### Illustration of the calculation of consolidated revenue growth in 2009-2010

(millions of dollars and per cent)

	Data from Chapter 1	Less: Impact	Comparable data	Growth rate
2009-2010	78 649	3 706	74 943	2.3
2008-2009	73 270		73 270	

Those growth rates are then used to estimate, retroactively, the trajectory that the budgetary statistics would have followed if all of the accounting changes had been applied to the data up to 1997-1998.

- In other words, the marginal impact of this restatement on growth rates is then applied to all of the previous years.
- For example, the adjusted consolidated revenue for 2012-2013 was determined by dividing that same revenue for 2013-2014 by the previously calculated growth rate between those two years, and so forth until 1997-1998.

Lastly, marginal differences were distributed among the series to ensure consistency with the balance.

TABLE F.20

**Summary of consolidated results for historical analysis<sup>(1)</sup>**

	<b>GDP</b>	<b>Consolidated revenue</b>			<b>Consolidated expenditure</b>			<b>Surplus (deficit)</b>
	(\$million)	(\$million)	(% change)	(% of GDP)	(\$million)	(% change)	(% of GDP)	(\$million)
2018-2019	422 291	109 225	2.7	25.9	-106 291	2.5	25.2	2 934 <sup>(2)</sup>
2017-2018	408 784	106 308	3.7	26.0	-103 720	3.6	25.4	2 588 <sup>(2)</sup>
2016-2017	395 339	102 466	2.3	25.9	-100 074	3.7	25.3	2 392 <sup>(2)</sup>
2015-2016	383 893	100 146	4.3	26.1	-96 502	0.7	25.1	3 644
2014-2015	373 482	95 983	2.9	25.7	-95 847	0.9	25.7	136
2013-2014	366 192	93 297	6.1	25.5	-95 000	5.1	25.9	-1 703
2012-2013	356 583	87 902	2.0	24.7	-90 417	2.7	25.4	-2 515
2011-2012	347 890	86 214	4.3	24.8	-88 002	3.5	25.3	-1 788
2010-2011	331 898	82 675	5.4	24.9	-85 065	4.5	25.6	-2 390
2009-2010	318 153	78 428	2.3	24.7	-81 368	4.5	25.6	-2 940
2008-2009	314 125	76 641	0.2	24.4	-77 899	4.1	24.8	-1 258
2007-2008	307 962	76 467	5.1	24.8	-74 817	5.7	24.3	1 650
2006-2007	294 567	72 780	8.2	24.7	-70 787	5.3	24.0	1 993
2005-2006	282 650	67 260	5.9	23.8	-67 223	4.7	23.8	37
2004-2005	274 359	63 525	4.6	23.2	-64 189	5.1	23.4	-664
2003-2004	261 655	60 715	4.4	23.2	-61 073	3.7	23.3	-358
2002-2003	252 443	58 168	4.9	23.0	-58 896	4.4	23.3	-728
2001-2002	240 678	55 468	-0.8	23.0	-56 396	3.4	23.4	-928
2000-2001	233 188	55 939	7.5	24.0	-54 562	4.9	23.4	1 377
1999-2000	219 432	52 029	1.5	23.7	-52 022	1.7	23.7	7
1998-1999	203 523	51 270	10.1	25.2	-51 144	5.0	25.1	126
1997-1998	194 729	46 565	n/a	23.9	-48 722	n/a	25.0	-2 157

TABLE F.21

**Consolidated revenue for historical analysis<sup>(1)</sup>**

	Own-source revenue <sup>(3)</sup>			Government enterprises	Federal transfers		Consolidated revenue		
	(\$million)	(% change)	(% of GDP)	(\$million)	(\$million)	(% change)	(\$million)	(% change)	(% of GDP)
2018-2019	82 602	3.5	19.6	4 402	22 221	0.9	109 225	2.7	25.9
2017-2018	79 799	3.3	19.5	4 480	22 029	7.5	106 308	3.7	26.0
2016-2017	77 215	1.3	19.5	4 753	20 498	8.4	102 466	2.3	25.9
2015-2016	76 232	5.8	19.9	5 013	18 901	2.0	100 146	4.3	26.1
2014-2015	72 037	3.6	19.3	5 407	18 539	0.0	95 983	2.9	25.7
2013-2014	69 510	3.3	19.0	5 241	18 546	6.0	93 297	6.1	25.5
2012-2013	67 286	4.3	18.9	3 117	17 499	2.2	87 902	2.0	24.7
2011-2012	64 515	6.9	18.5	4 585	17 114	-3.2	86 214	4.3	24.8
2010-2011	60 332	6.9	18.2	4 670	17 673	2.2	82 675	5.4	24.9
2009-2010	56 433	0.1	17.7	4 709	17 286	12.0	78 428	2.3	24.7
2008-2009	56 376	-0.3	17.9	4 835	15 430	2.5	76 641	0.2	24.4
2007-2008	56 566	3.7	18.4	4 842	15 059	23.0	76 467	5.1	24.8
2006-2007	54 542	5.8	18.5	5 995	12 243	7.9	72 780	8.2	24.7
2005-2006	51 531	4.7	18.2	4 384	11 345	11.9	67 260	5.9	23.8
2004-2005	49 204	5.3	17.9	4 183	10 138	-1.8	63 525	4.6	23.2
2003-2004	46 724	4.1	17.9	3 671	10 320	7.0	60 715	4.4	23.2
2002-2003	44 901	4.0	17.8	3 621	9 646	-0.1	58 168	4.9	23.0
2001-2002	43 188	-2.1	17.9	2 626	9 654	14.0	55 468	-0.8	23.0
2000-2001	44 113	6.0	18.9	3 358	8 468	27.3	55 939	7.5	24.0
1999-2000	41 600	4.5	19.0	3 776	6 653	-21.3	52 029	1.5	23.7
1998-1999	39 809	6.6	19.6	3 011	8 450	28.3	51 270	10.1	25.2
1997-1998	37 352	n/a	19.2	2 629	6 584	n/a	46 565	n/a	23.9

TABLE F.22

### Consolidated expenditure for historical analysis<sup>(1)</sup>

	Mission expenditures			Debt service			Consolidated expenditure		
	(\$million)	(% change)	(% of GDP)	(\$million)	(% change)	(% of revenue)	(\$million)	(% change)	(% of GDP)
2018-2019	-96 533	2.9	22.9	-9 758	-1.1	8.9	-106 291	2.5	25.2
2017-2018	-93 852	3.8	23.0	-9 868	1.9	9.3	-103 720	3.6	25.4
2016-2017	-90 387	4.5	22.9	-9 687	-3.2	9.5	-100 074	3.7	25.3
2015-2016	-86 493	1.1	22.5	-10 009	-2.5	10.0	-96 502	0.7	25.1
2014-2015	-85 577	1.4	22.9	-10 270	-3.1	10.7	-95 847	0.9	25.7
2013-2014	-84 400	4.7	23.0	-10 600	7.7	11.4	-95 000	5.1	25.9
2012-2013	-80 576	2.6	22.6	-9 841	4.1	11.2	-90 417	2.7	25.4
2011-2012	-78 553	3.2	22.6	-9 449	5.8	11.0	-88 002	3.5	25.3
2010-2011	-76 132	3.5	22.9	-8 933	13.9	10.8	-85 065	4.5	25.6
2009-2010	-73 525	5.5	23.1	-7 843	-4.4	10.0	-81 368	4.5	25.6
2008-2009	-69 694	5.6	22.2	-8 205	-7.2	10.7	-77 899	4.1	24.8
2007-2008	-65 973	6.5	21.4	-8 844	0.3	11.6	-74 817	5.7	24.3
2006-2007	-61 969	4.4	21.0	-8 818	11.9	12.1	-70 787	5.3	24.0
2005-2006	-59 344	5.2	21.0	-7 879	1.5	11.7	-67 223	4.7	23.8
2004-2005	-56 426	5.4	20.6	-7 763	2.9	12.2	-64 189	5.1	23.4
2003-2004	-53 526	4.0	20.5	-7 547	1.5	12.4	-61 073	3.7	23.3
2002-2003	-51 464	5.4	20.4	-7 432	-1.8	12.8	-58 896	4.4	23.3
2001-2002	-48 829	4.7	20.3	-7 567	-4.6	13.6	-56 396	3.4	23.4
2000-2001	-46 626	5.2	20.0	-7 936	3.2	14.2	-54 562	4.9	23.4
1999-2000	-44 334	1.6	20.2	-7 688	2.6	14.8	-52 022	1.7	23.7
1998-1999	-43 649	6.3	21.4	-7 495	-2.0	14.6	-51 144	5.0	25.1
1997-1998	-41 075	n/a	21.1	-7 647	n/a	16.4	-48 722	n/a	25.0

TABLE F.23

**Mission expenditures for historical analysis<sup>(1)</sup>**

	Health and Social Services		Education and Culture		Economy and Environment		Support for Individuals and Families		Administration and Justice		Mission expenditures	
	(\$million)	(% change)	(\$million)	(% change)	(\$million)	(% change)	(\$million)	(% change)	(\$million)	(% change)	(\$million)	(% change)
2018-2019	-41 670	3.6	-23 433	3.4	-13 352	3.0	-10 130	2.0	-7 948	-1.5	-96 533	2.9
2017-2018	-40 223	4.3	-22 662	4.0 <sup>(4)</sup>	-12 965	2.1	-9 935	1.0 <sup>(4)</sup>	-8 067	7.4	-93 852	3.8
2016-2017	-38 556	2.7	-21 707	3.4	-12 698	8.3	-9 915	3.2	-7 511	13.1	-90 387	4.5
2015-2016	-37 525	1.9	-20 997	0.6	-11 720	1.4	-9 610	-0.8	-6 641	0.0	-86 493	1.1
2014-2015	-36 817	3.3	-20 870	1.4	-11 557	-3.7	-9 692	1.1	-6 641	0.5	-85 577	1.4
2013-2014	-35 631	4.7	-20 572	5.5	-11 996	5.1	-9 590	2.2	-6 611	5.9	-84 400	4.7
2012-2013	-34 044	5.2	-19 494	1.0	-11 419	-2.9	-9 379	2.2	-6 240	4.5	-80 576	2.6
2011-2012	-32 357	4.2	-19 292	3.8	-11 758	1.8	-9 176	2.7	-5 970	-0.3	-78 553	3.2
2010-2011	-31 067	3.9	-18 594	3.8	-11 552	7.0	-8 931	3.5	-5 988	-4.7	-76 132	3.5
2009-2010	-29 909	6.8	-17 908	3.2	-10 794	6.6	-8 630	4.0	-6 284	6.4	-73 525	5.5
2008-2009	-28 006	6.7	-17 356	3.9	-10 126	6.0	-8 302	1.7	-5 904	11.1	-69 694	5.6
2007-2008	-26 237	6.8	-16 703	7.6	-9 551	9.7	-8 166	2.5	-5 316	2.1	-65 973	6.5
2006-2007	-24 558	4.8	-15 528	0.6	-8 710	8.7	-7 967	4.1	-5 206	8.3	-61 969	4.4
2005-2006	-23 437	4.4	-15 433	4.0	-8 015	8.1	-7 650	9.5	-4 809	1.6	-59 344	5.2
2004-2005	-22 456	8.1	-14 833	2.6	-7 416	0.1	-6 988	5.5	-4 733	11.0	-56 426	5.4
2003-2004	-20 777	6.8	-14 452	3.8	-7 407	0.6	-6 625	1.9	-4 265	1.1	-53 526	4.0
2002-2003	-19 456	4.8	-13 924	5.0	-7 364	7.0	-6 500	2.6	-4 220	11.5	-51 464	5.4
2001-2002	-18 557	6.6	-13 265	3.2	-6 884	-0.8	-6 338	5.3	-3 785	11.1	-48 829	4.7
2000-2001	-17 409	8.9	-12 848	3.7	-6 942	2.4	-6 021	-0.4	-3 406	9.0	-46 626	5.2
1999-2000	-15 988	1.8	-12 395	3.4	-6 780	6.6	-6 047	-3.8	-3 124	-5.6	-44 334	1.6
1998-1999	-15 701	13.2	-11 992	2.7	-6 360	9.5	-6 288	5.3	-3 308	-11.8	-43 649	6.3
1997-1998	-13 873	n/a	-11 672	n/a	-5 806	n/a	-5 973	n/a	-3 751	n/a	-41 075	n/a



**Notes to the tables in Chapter 5**

- (1) Forecasts for 2016-2017 to 2018-2019, actual data for 2015-2016 and adjusted data for 2014-2015 and previous years.
- (2) Excludes the contingency reserve of \$100 million in 2016-2017, 2017-2018 and 2018-2019.
- (3) Excludes revenue from government enterprises.
- (4) To assess growth in 2017-2018 based on comparable spending levels, the percent changes for that year were calculated by excluding, from 2016-2017 expenditures, transfers from the provision for francization attributed to the Support for Individuals and Families mission (\$75 million) and including them in the 2016-2017 expenditures of the Education and Culture mission.





