Québec budget 2022-23: Cost of living credit and other measures

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On March 22, 2022, Premier Legault's government revealed the Québec budget for the 2022-2023 fiscal year (the Budget). This year's Budget focuses less on COVID-19 support than previous budgets, and more on high inflation and investments in infrastructure, health, and education.

Below we outline certain important measures introduced by the government.

Personal tax measures

Special one-time cost of living tax credit

A new special one-time refundable tax credit of up to $500 has been implemented to help eligible individuals in Québec deal with the rising cost of living. This tax credit is mainly a measure that serves to mitigate the delay between the indexation of the tax system and the current high rate of inflation.

An eligible individual, for the purposes of this refundable tax credit, means an individual who, at the end of December 2021, met the following conditions:

- The individual was at least 18 years old, or an emancipated minor, or a minor who is the father or mother of a child with whom he or she resides.
- The individual was residing in Québec.
- The individual had the status of one of the following:
    1. Canadian citizen;
    2. Permanent resident;
    3. Temporary resident or temporary resident permit holder within the meaning of the Immigration and Refugee Protection Act who has resided in Canada for the 18-month period preceding that time; and
    4. Protected person within the meaning of the *Immigration and Refugee Protection Act*.
- The individual was not an excluded individual (*e.g.*, certain tax-exempt persons and certain persons who are detained in a prison or similar institution).

This tax credit will be paid out to eligible individuals who file an income tax return for 2021 and whose net income for the year is less than $105,000. Nothing needs to be done to apply for this credit – everyone who is eligible will receive it automatically.

If the taxpayer's net income for 2021 was more than $100,000 but less than $105,000, the $500 will be reduced by 10 per cent of the part of their net income that exceeds $100,000.

Amendment to the tax credit for large cultural donation

Québec had previously implemented a tax credit for large cultural donation for donation made before Jan. 1, 2023. This Budget removes the Jan. 1, 2023 deadline, making the tax credit perpetual.

In order to be eligible for the tax credit, a donation needs to be made to one of the following organizations:

- A registered charity operating in Québec in the arts or culture sector;
- A registered cultural or communications organization; or
- A registered museum.

In addition to the tax credit for charitable donations and other gifts, a large cultural donation entitles the donor to a tax credit of 25 per cent of the eligible amount of the gift (up to a maximum of $25,000).

Business tax measures

Extending the temporary bonus for the tax credit for investments and innovation (C3i)

The credit rate will be doubled for an additional year, which will run until Dec. 31, 2023. This tax credit for investments and innovation is granted to qualifying corporations that acquire manufacturing or processing equipment, computer equipment, or management software packages between March 10, 2020 and before 2025.

A tax credit of up to 20 per cent is offered to these corporations, depending on the location and the economic wellbeing of the area where the investments are made. Eligible investments are those that exceed $12,500 for the purchase of manufacturing and processing equipment as well as those that exceed $5,000 for the purchase of hardware and management software packages.

Corporations that are eligible for this tax credit must carry on a business in Quebec. Additionally, this credit is fully refundable for small- and medium-size enterprises and non-refundable for large businesses. Size is based on the qualified corporation's assets and gross income. Furthermore, the expenses for which the C3i credit is claimed must have been incurred by the time the qualified corporation files for the tax credit.

Introducing the refundable tax credit for production of biofuel in Québec

An eligible corporation that produces biofuel in Québec can benefit from a tax credit for eligible production. The tax credit will be available from April 1, 2023, to March 31, 2033. To be entitled to this tax credit, the corporation must, in its taxation year, have an establishment in Québec and operate an eligible biodiesel production business in the province.

Other tax measures

Rebate program for the acquisition of an electric vehicle

The Budget states that Québec's "Roulez vert" rebate will be reduced to reflect the decrease in price gap between an electric vehicle and a traditional combustion vehicle. The rebates will go from $8,000 to $7,000 for the purchase of an all-electric vehicle ad from $4,000 to $3,500 for the purchase of an all-electric used vehicle until March 31, 2023.

Amendment to the rules governing the interruption of the prescription period

Under the *Tax Administration Act* (TAA), the recovery of an amount owed under a fiscal law is prescribed by 10 years generally after the day on which the notice of assessment was sent or, in the case of charges or fees, from the time the charges or fees are applied. Therefore, a person liable for the payment of an amount owed under a fiscal law may raise to the Minister of Revenue that the debt has been extinguished by the effect of prescription at the end of the 10-year period.

The 10-year prescription period for Québec tax claims may be extended by "suspension" or "interruption."

Where the prescription period is "suspended," it does not run during the period of suspension. The calculation of the prescription period resumes when the suspension ends.

When the prescription period is "interrupted," the prescription begins to run again for the same period after the interruption (in other words, the counter is reset to zero).

Among other things, the prescription period may be interrupted, for example, when the Minister of Revenue applies a tax refund to the payment of a taxpayer's debt, up to the amount of that debt, and gives notice to the taxpayer. In addition, for recurring refunds (such as solidarity tax credit payments), it follows that a debt will never be prescribed as long as the person receives a refund or the debt is not otherwise paid.

The TAA will be amended to remove compensation as a reason for interrupting the prescription period when a taxpayer who is a debtor under a fiscal law has a refund applied to payment of the tax debt.

This measure will apply to allocations of refunds made on or after a date to be determined by the government after the bill giving effect to this measure is assented to.

Takeaways

Overall, there are not many new tax measures in this budget.

Excluding COVID-19 measures, the government plans to increase spending by 4.9 per cent in 2022-23. Québec expects to maintain a structural deficit over the next few years but it will be significantly reduced, in part because of strong economic recovery following COVID-19. A return to a balanced budget is expected for 2027-28. The CAQ is counting on economic growth to finance its ambitious projects to modernize the health care system and the higher education system.

Reach out to any of the key contacts below if you have questions about the 2022-23 Québec budget.

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