

Ministère du Revenu du Québec

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Tax News

Special 2006-2007 budget



Measures to curb tobacco smuggling

Broader intervention powers

The tobacco tax system will be modified to stipulate that a **counterfeit tobacco product** is a product that is not identified in accordance with the provisions of the system.

A presumption will also be introduced under which tobacco products that are retailed at a **price lower than the amount of the applicable taxes** (that is, the total of the federal excise tax, the Québec tobacco tax and the related GST) will not be considered legal products for the purposes of the tobacco tax system.

These measures will come into force as of the date the relevant legislation is passed.

For further information, see page 110 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Increased fines

The minimum amounts of fines, currently set at \$200 and \$2,000, will be increased to \$300 and \$3,000 respectively. The maximum amounts are currently set at \$5,000, \$25,000 and \$500,000, and will be increased to \$7,500, \$37,500 and \$750,000 respectively.

In the case of a repeat offence within a five-year period, the minimum amounts of the fines will be increased to \$1,000 (from \$300) and \$10,000 (from \$3,000), whereas the maximum amounts will be increased to \$25,000 (from \$7,500), \$125,000 (from \$37,500) and \$2,500,000 (from \$750,000).

This measure will come into force as of the date the relevant legislation is passed.

For further information, see page 111 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Fuel tax relief for public carriers

In order to reduce traffic congestion on the roads and contribute to a healthier environment, the Québec government has granted fuel tax relief to public carriers.

Following the Budget Speech of March 23, 2006, a new measure came into effect to further lighten their tax burden. The refund rate was increased from 33.33% to 100% for fuel tax paid on fuel used to supply the engines of buses used for public transit. This measure applies to fuel acquired after March 23, 2006.

Revenu Québec is currently revising form [CA-10.1-V](#), *Application for a Fuel Tax Refund for Public Carriers*. In the meantime, all refund applications with respect to fuel acquired since March 24, 2006, can be filed on the existing form and under the same terms, provided the necessary adaptations are made.

For further information, see page 112 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Fuel tax refund in respect of biodiesel fuel

Following the Budget Speech of March 23, 2006, a new measure came into effect to foster use of [biodiesel fuel](#), a renewable fuel that can reduce polluting emissions and help to cut greenhouse gases. Thus, consumers who purchase biodiesel fuel can claim a refund of the fuel tax paid. This measure applies to biodiesel fuel acquired after March 23, 2006. However, no refund is granted if the biodiesel fuel is mixed with another type of fuel at the time it is acquired.

The refund application must cover a period of no less than three months and no more than twelve months. However, it may cover a period of less than three months if at least 3,000 litres of biodiesel fuel have been purchased. Applications must be submitted within fifteen months following the first purchase of biodiesel covered by the claim.

Revenu Québec is currently preparing a refund application form. In the meantime, consumers can apply in writing to Revenu Québec for a refund, enclosing the original biodiesel fuel receipts. The receipts must state that the biodiesel is pure (not mixed with any other type of fuel at the time of purchase) and indicate the date of purchase, the quantity purchased, proof that the fuel tax was paid and the supplier's name and contact information. In addition, consumers must specify the reason for which the biodiesel fuel was acquired.

For further information, see page 113 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Further reduction of the specific tax on alcoholic beverages sold by a small-scale producer

The specific tax does not apply to the first 1,500 hectolitres of alcoholic beverages, other than beer, sold in a calendar year in Québec by small-scale producers whose worldwide volume of beer sold in the previous calendar year, including the worldwide volume of producers with whom they are associated (within the meaning of the *Taxation Act*) or whose operations they have taken over, does not exceed 3,000 hectolitres.

The specific tax has been reduced by approximately 50% on a further 1,500 hectolitres. The rate of the specific tax for the additional 1,500 hectolitres has been set at \$0.99 per litre for alcoholic beverages sold for consumption at an establishment, and \$0.45 per litre for those sold for consumption elsewhere.

The worldwide volume of alcoholic beverages, other than beer, sold in the previous calendar year and above which small-scale producers cannot apply the reduced rate, has been increased from 3,000 to 5,000 hectolitres.

This measure applies to all alcoholic beverages, other than beer, sold by small-scale producers after March 23, 2006.

For further information, see page 124 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Refund of the first \$1,000 of Québec sales tax paid on a hybrid vehicle

Under a proposed change to the Québec sales tax (QST) system announced in the Budget Speech of March 23, 2006, it will be possible to claim a partial refund of the QST paid on the purchase or long-term lease (for a period of at least 12 months) of a [new hybrid vehicle prescribed](#) by the Minister of Revenue of Québec. At present, the vehicles for which the rebate may be claimed are

- the 2005 and 2006 Honda Insight
- the 2005 and 2006 Honda Civic Hybrid
- the 2005 Honda Accord Hybrid
- the 2005 and 2006 Toyota Prius

The vehicle must be leased or purchased after March 23, 2006, and before January 1, 2009. The rebate claim must be submitted within four years after the date on which the QST was paid, and the prescribed conditions must be met by the claimant. The maximum rebate is \$1,000. In the case of a long-term lease, a rebate may be claimed only once the claimant has paid at least \$1,000 in QST, or at the end of the lease contract.

A rebate claim form is currently in preparation. Until the form is available, persons wishing to claim the rebate for new hybrid vehicles may submit a written request to Revenu Québec, enclosing the original purchase or lease contract and the confirmation of service obtained from the Société de l'assurance automobile du Québec (SAAQ). These documents must indicate the manufacturer's name, the vehicle make and model, the fact that the vehicle is new, and the amount of QST paid.

The rebate cannot be claimed by a person registered (or required to be registered) for the QST. Nor can it be claimed by a person who is entitled under another provision of the QST system to a rebate of the QST paid on the purchase or lease of the vehicle.

For further information, see page 115 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Measures to counter tax evasion in the restaurant sector

Obligation to remit invoices

The tax legislation will be amended to require restaurant operators to remit to all customers to whom they supply goods and services an invoice showing the transaction.

Restaurant operators who fail to remit an invoice to a customer will incur a penalty of \$100 as a result of this omission and will commit an offence for which they will be liable to a fine of no less than \$300 and no more than \$5,000. For a second offence committed within five years, the fine will be no less than \$1,000 and no more than \$10,000, and, for any subsequent offence within that period, no less than \$5,000 and no more than \$50,000.

Restaurant operators will be required to keep a copy of the invoice as a supporting document for the information contained in the registers they are required to keep under the tax legislation.

This measure will apply to sales of property and services made by restaurant operators as of the effective date of any regulation adopted under the implementing bill.

For further information, see page 145 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Obligation to use cash registers equipped with a microcomputer approved by Revenu Québec

By January 1, 2011, all restaurant operators who are required to remit invoices to their customers must use a cash register equipped with a microcomputer housed in a secure casing to prepare such invoices and keep a register of their sales.

The purpose of such microcomputers, which will be approved by Revenu Québec, is to enter and store all information pertaining to sales of property and services made by restaurant operators to their customers. This information is the same as the information on the invoices to be remitted.

Restaurant operators who are registered for the Québec sales tax (QST) will also be required to provide, along with the tax return that is to be filed under the QST system for each of their reporting periods, a report on the sales recorded by the microcomputer in each of those periods.

Persons who operate a new food service establishment after September 30, 2008, will be required to use a cash register of this type for that establishment from the time the latter comes into operation.

In addition, restaurant operators who contravene certain tax obligations prior to October 1, 2008, will be required to use a cash register equipped with such a microcomputer as of October 1, 2008. Those who contravene certain tax obligations between September 30, 2008, and January 1, 2011, will also be required to use such a cash register as of the date that will be determined by the Minister of Revenue after the contravention of one of these tax obligations is noted.

For further information, see page 146 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



New tax measures relating to First Nations peoples

Participation in the Québec Pension Plan (QPP) by Indians exempt from income tax

The Québec government will pass a regulation that will allow workers who are Indians and whose income is situated on a reserve or on recognized Indian land to participate in the QPP. This will bring QPP rules into line with those of the Canada Pension Plan. The regulation will be

effective from January 1, 2006.

For further information, see page 149 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Measures relating to municipal or public bodies that perform a function of government

Québec fiscal legislation will be amended to incorporate, with adaptations based on its general principles, the federal measures granting a tax exemption to entities at least 90% of whose capital is owned by a municipal or public body performing a function of government in Canada.

For purposes of these measures, a municipal or public body performing a function of government in Canada can include an Indian band that, like a municipality, supervises the delivery of essential services and programs provided to all residents of a territory.

These measures will be adopted by Québec only after a federal law giving effect to the measures is assented to, and will take into account technical amendments that might be made prior to the passing of the federal law. The Québec measures will be applicable on the same dates as the measures applicable for federal income tax purposes.

For further information, see page 152 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Refund of the fuel tax to tribal councils and band-empowered entities

In the most recent Budget Speech, it was announced that tribal councils and band-empowered entities are now entitled to a refund of the fuel tax, under the same circumstances as Indian bands or Indians. This refund applies to fuel purchases made on a reserve after March 23, 2006.

Conditions

To be entitled to the refund, a person must be a tribal council or a band-empowered entity, within the meaning of the technical information bulletin *GST/HST Administrative Policy – Application of the GST/HST to Indians* ([B-039R2](#)).

In addition, the tribal council or band-empowered entity must have purchased the fuel

- at a fuel distribution establishment operated on a reserve by a retail dealer holding a registration certificate that is in force and that was issued under the *Act respecting the Québec sales tax*;
- for its own consumption and, in the case of an incorporated band-empowered entity, for

band management activities.

How to apply for a refund

Revenu Québec is currently revising the form *Application for a Refund of the Fuel Tax Paid by an Indian or an Indian Band* ([CA-90-V](#)). In the meantime, applicants may use the current version of form CA-90-V, filling in the sections relating to Indian bands and making the necessary changes. The form is to be submitted to Revenu Québec within the time limits and in accordance with the conditions provided for on the form, together with

- any document showing that the person is a tribal council or band-empowered entity (for example, a copy of a band council resolution, articles of incorporation or an extract from the incorporating act);
- all documents listed on the current version of form CA-90-V, with the required information;
- a certificate indicating that the fuel was purchased for band management activities, in the case of an incorporated band-empowered entity.

For further information, see page 153 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Levying of consumption taxes: introduction of a legislative framework for First Nations peoples

The Québec government will put in place a legislative framework that will allow band councils, if they so wish, to levy consumption taxes that are harmonized with the following Québec consumption taxes:

- the QST
- the QST applicable to alcoholic beverages and fuel only
- the fuel tax
- the tobacco tax
- the tax on alcoholic beverages
- the tax on insurance premiums

For further information, see page 154 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Persons of Indian ancestry

Québec's fiscal laws and regulations will be amended to restrict the application of the tax

exemption measures to individuals who are Indians within the meaning of the *Indian Act*.

These amendments will apply to income tax as of the 2007 taxation year. For purposes of the QST and fuel tax systems, the amendments will apply respectively to supplies and purchases made after March 23, 2006.

For further information, see page 155 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Lower tax rate for small corporations

Since January 1, 2006, Canadian-controlled private corporations with paid-up capital of less than \$10 million had paid income tax at a reduced rate of 8.5% on the first \$400,000 of annual income from an eligible business. This tax rate was reduced to 8% on March 24, 2006.

Corporations to which the reduced rate applies are required to take into account the date of coming into force of the new rate when filing their income tax return, because the rate reduction will apply in proportion to the number of days in the fiscal period that follow March 23, 2006.

For further information, see page 40 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Support for the forest sector

Capital tax credit extended and raised to 15% for certain investments in the forest sector

The rate of the capital tax credit will be raised to 15% for eligible investments in the primary forest product industry, and the period during which such investments can be made will be extended by two years.

Eligible investments are manufacturing and processing equipment, i.e., class 43 property, used primarily in the activities of:

- the sawmill and wood preservation industry;
- the veneer, plywood and engineered wood product manufacturing industry, excluding the structural wood product manufacturing industry;
- the pulp, paper and paperboard mill industry.

The forest sector property must be acquired after March 23, 2006, and before January 1, 2010, unless

- it is acquired in accordance with a written obligation contracted no later than March 23, 2006;
- construction of this property, by or on behalf of the taxpayer, had started on March 23, 2006.

For further information, see page 41 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Introduction of a temporary refundable tax credit for the construction of public access roads and bridges in forest areas

An eligible corporation that incurs eligible expenses regarding the construction or major repair of eligible access roads or bridges, during a taxation year, may claim a refundable tax credit, for such year, corresponding to 40% of the amount of such eligible expenses.

A **corporation**, other than an excluded corporation, that, during a taxation year, carries on a business in Québec, has an establishment there and is a party to timber supply and forest management agreement (TSFMA), a forest management agreement (FMA) or a forest management contract (FMC) reached with the Ministère des Ressources naturelles et de la Faune may, under certain conditions, receive the tax credit for such year. In addition, a corporation that, during a taxation year, carries on a business in Québec and has an establishment there through a partnership may also qualify as an eligible corporation under certain conditions.

Expenses relating to the construction or major repair of eligible access roads and bridges must be incurred by a corporation or a partnership, as the case may be, after March 23, 2006, and before January 1, 2011, if

- they are incurred in accordance with what appears in an annual forest operation plan submitted to the Ministère des Ressources naturelles et de la Faune before January 1, 2010; and
- construction or major repair of the eligible access road or bridge by or on behalf of the corporation or partnership, as the case may be, started before January 1, 2010.

For further information, see page 43 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Income averaging for forest producers

The legislation will be amended to stipulate that an eligible owner of a private woodlot may deduct, in calculating taxable income for a taxation year ended no later than December 31, 2009, an amount not exceeding 80% of the income from the sale, to a purchaser with an establishment in Québec, of timber relating to the operation of such woodlot for such taxation year. The income of an eligible owner derived from the sale of timber to individuals, as firewood for example, will not give rise to a deduction in the calculation of taxable income.

An **eligible owner**, in respect of a woodlot, means an individual or an eligible corporation recognized as a forest producer by the Ministère des Ressources naturelles et de la Faune in respect of such woodlot. An individual or an eligible corporation that, during a taxation year, carries on a business in Québec through a partnership may also qualify as an eligible owner for such taxation year, under certain conditions.

To be recognized by the Ministère des Ressources naturelles et de la Faune as a forest producer, an owner must own at least 4 hectares (10 acres or 12 square arpents) of forest land in a single block, with a forest management plan (FMP) certified by a forest engineer to comply with the regulations of the Agence régionale de mise en valeur des forêts privées. Furthermore, in the case of a private forest of at least 800 hectares in a single block, the owner must be a member in good standing of a forest fire protection organization.

Any amount granted as a deduction must be **included**, in whole or in part, **in the calculation of the taxable income** of the eligible owner for one of the four taxation years following the one in which the deduction is granted. However, the total amount of the deduction must be included in the calculation of the income of the eligible owner no later than the fourth taxation year following the one in which the deduction is granted.

The income of an eligible owner derived from the sale of timber from a private woodlot must have been earned within a taxation year of the eligible owner, or within a fiscal period of a partnership of which the owner is a member, ended after March 23, 2006, and no later than December 31, 2009.

For further information, see page 47 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Measures to reduce the cost of silvicultural investments

For further information, see page 49 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Introduction of a temporary refundable tax credit for the acquisition of pig manure treatment facilities

An eligible taxpayer that incurs eligible expenses to acquire eligible facilities during a taxation year may now claim a refundable tax credit, for such year, corresponding to 30% of the amount of such eligible expenses.

An **eligible taxpayer** is an individual or a corporation, other than an excluded corporation, that, during a taxation year, carries on a farming business in Québec and is recognized as a pig producer by the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec.

An **eligible facility** is a facility that an eligible taxpayer or a partnership of which the eligible taxpayer is a member acquires, and regarding which the taxpayer or partnership obtained an eligibility certificate from the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec. The certificate must specify that the facility consists of equipment or a component satisfying certain eligibility criteria validated by the Ministère.

The **eligible expenses** are all the expenses incurred during a taxation year that are directly attributable to the acquisition of an eligible facility and to its installation. The eligible expenses must be reduced by the amount of any government or non-government assistance and any benefit or advantage, according to the usual rules.

This **tax credit** will be **capped**, for each farm establishment, at **\$200,000**, for the entire period (described below) in respect of which eligible expenses may be incurred.

The expenses relating to the acquisition of eligible facilities and their installation must be incurred by an individual, a corporation or a partnership, as the case may be,

- after March 23, 2006, and before April 1, 2010;
- after March 31, 2010, and before April 1, 2011, if
 - they are incurred in accordance with what appears in an eligibility certificate application submitted to the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec before April 1, 2010; and
 - the installation of the eligible facilities by or on behalf of the individual, corporation or partnership, as the case may be, began before April 1, 2010.

For further information, see page 50 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Renewal of and improvement to the refundable tax credit for an on-the-job training period

Tax credit made permanent

The tax legislation will be amended so that the refundable tax credit for an on-the-job training period also applies to qualified training periods that begin after December 31, 2006.

For further information, see page 54 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Improvement to the tax credit

The weekly caps on eligible expenditures, which are currently \$625 or \$500, as the case may be, will be raised to \$750 and \$600 respectively.

The tax legislation will also be amended to raise, from \$15 to \$18, the maximum hourly rate of wages and salaries that an eligible employer may consider for the purposes of determining the tax credit.

These changes will apply to an eligible expenditure incurred after December 31, 2006, in relation to an eligible training period beginning after that date.

For further information, see page 55 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Standard application of the tax credit in all regions

The new weekly caps and the new maximum hourly rate will also apply to training periods carried out in one of the eligible regions.

This change will apply regarding an eligible expenditure incurred after December 31, 2006, in relation to an eligible training period beginning after that date.

For further information, see page 56 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustments to the refundable tax credits for R&D

Simplification and improved harmonization with federal legislation

The tax legislation will be amended so that a scientific research and experimental development (R&D) project that comes under the component that involves the development of practical applications for research findings will no longer be eligible for the **tax credit for university research**. Accordingly, the streamlining measures currently stipulated where a prescribed research entity, or a person not dealing at arm's length with such entity, purchases shares of the capital stock of the corporation that awards it the execution of the work of such an R&D project will be eliminated. As a corollary, the tax credit for salaries and wages (R&D) will be enhanced so that an R&D project that comes under the component that involves the development of practical applications for research findings of the tax credit for university research may be eligible for the tax credit for salaries and wages (R&D), as it will be amended, in order to authorize the participation of players from the institutional community in R&D projects, without reducing the eligible expenditure for the purposes of this tax credit.

The tax legislation will be amended so that an R&D project carried out as part of a public-private partnership will no longer be eligible for the **tax credit for pre-competitive research**. Such an R&D project may thus be eligible for the tax credit for salaries and wages (R&D), as it will be amended, in order to authorize the participation of players from the institutional community in R&D projects, without reducing the eligible expenditure for the purposes of this tax credit.

The tax credit for pre-competitive research will be abolished for the future but will remain in force regarding an agreement that constitutes a partnership contract as part of a pre-competitive research project regarding which the Ministère du Développement économique, de l'Innovation et de l'Exportation has issued a certificate no later than March 23, 2006, or under an agreement for which an application has been submitted to the Ministère, no later than that day, to obtain recognition as a partnership contract as part of a pre-competitive research project.

The tax credit will be replaced with the **refundable tax credit for private partnership pre-competitive research**, which will apply to R&D projects that exclusively involve a private-private partnership. The object of the tax credit will be pre-competitive research done in partnership. The tax credit will relate, as far as research carried out in a private-private partnership is concerned, to the R&D work that a number of persons agree to carry out in Québec or have carried out for their benefit in Québec under a research partnership agreement. In addition, the rate of this tax credit will be 35% and will apply to all eligible R&D expenditures or to 80% of the amount of a research contract, where the R&D work is subcontracted to a person or a partnership with which the taxpayer is dealing at arm's length.

Such expenditures for the purposes of the new tax credit will consist of the same amounts as the eligible R&D expenditures currently stipulated under the tax credit for pre-competitive research.

The **tax credit for salaries and wages (R&D)** will be changed to allow participation by a public partner. In addition, the eligible expenditure for the purposes of this tax credit will no longer be reduced by the amount of such a participation obtained by the taxpayer and the tax credit will simply be calculated without taking this amount into consideration.

The general contributions rule will be maintained and no tax credit may be attributed to a taxpayer if the taxpayer obtains, is entitled to obtain or may reasonably expect to obtain a contribution in the form of a former, present or future entitlement in the proceeds of disposition of the intellectual property arising from the R&D project or of a contract, as the case may be, or in the form of property that the Minister of Revenue has designated as being a contribution.

These changes will apply to R&D expenditures incurred after March 23, 2006, regarding R&D work done after that day, under a contract entered into after that day, where applicable.

For further information, see page 57 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Streamlining measure for the tax credit for pre-competitive research

For the purposes of the refundable tax credit for pre-competitive research, the other person or partnership (or persons or partnerships) with which the taxpayer concludes a partnership contract to carry out R&D work in Québec or to have such work carried out for their benefit in Québec, may be a person or partnership that does not carry on a business in Québec and does not have an establishment there.

This change will apply to R&D expenditures incurred after April 21, 2005, for R&D work done after that date, under an agreement that constitutes a partnership contract under a pre-competitive research project and regarding which the Ministère du Développement économique, de l'Innovation et de l'Exportation issued a certificate after that date.

For further information, see page 67 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Correction of various technical problems

For further information, see page 68 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustments to the refundable tax credit for design

The minimum percentage of production in Québec will no longer apply solely to goods that the corporation makes itself, but also to the goods produced under subcontract to the corporation. This adjustment will apply to both the fashion sector and the industrial sector.

Whether or not the minimum percentage of production in Québec is achieved, in the fashion sector or the industrial sector, will be determined on the basis of all the goods made in Québec in the sector in question, by or on behalf of the corporation, regardless of whether these goods are made as a result of an eligible design activity.

These changes will apply to an eligibility certificate issued by the Ministère du Développement économique, de l'Innovation et de l'Exportation after April 21, 2005, regarding a taxation year of an eligible corporation ending after April 20, 2005.

However, in the case of a taxation year of an eligible corporation that includes April 21, 2005, the Ministère du Développement économique, de l'Innovation et de l'Exportation may issue an eligibility certificate for such corporation on the basis of the previous eligibility criteria for corporations, i.e., the criteria applicable before April 21, 2005.

For further information, see page 70 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Measures concerning culture

Broadening of the refundable tax credit for the production of sound recordings

In the case of an eligible digital audio-visual recording, the authoring stage will be added to the **eligible production work**. These changes will apply regarding labour expenditures otherwise eligible for this tax credit that are incurred after March 23, 2006.

For a **sound recording produced on more than one eligible medium** (sound recording, digital audio-visual recording and clip), a given labour expenditure will be taken into account only once. These changes will apply regarding labour expenditures otherwise eligible for this tax credit that are incurred after March 23, 2006.

The tax legislation will also be amended to add the **pressing stage** to the eligible production work of a corporation regarding an eligible sound recording or an eligible digital audio-visual

recording, including the design of the jacket, mastering the property and duplication of its media. However, only labour expenditures and production expenses attributable to the pressing of a sound recording or digital audio-visual recording incurred within 18 months of releasing such recording, up to the amount of such expenditures and expenses relating to the pressing of the first 20,000 copies of the recording, give rise to a tax credit for the production of sound recordings. These changes will apply regarding labour expenditures otherwise eligible for this tax credit that are incurred after March 23, 2006.

The legislation will be amended to stipulate that an **amount of assistance paid by the Department of Canadian Heritage** is an excluded amount of assistance. Accordingly, an amount of assistance paid by this organization will not reduce eligible labour expenditures or production expenses relating to an eligible sound recording, an eligible digital audio-visual recording or an eligible clip. This change will apply regarding an amount of assistance received or receivable after March 23, 2006.

For further information, see page 72 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Adjustments to the refundable tax credit for Québec film and television production

For further information, see page 80 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Adjustment of the refundable tax credit for book publishing

For further information, see page 83 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Clarification regarding the eligibility of *droits de suite* for the refundable tax credits for multimedia titles

The tax legislation will be clarified to stipulate that *droits de suite* will be included in the labour expenditure for the purposes of the general component and the tax credit for specialized corporations, and to circumscribe the object of such inclusion.

The application of this amendment will be declaratory, other than for taxation years prescribed on March 23, 2006. Accordingly, it will also apply regarding a year for which a notice of objection, an appeal or a waiver of prescription has been duly served on the Minister of Revenue before March 23, 2006.

However, concerning a taxation year that is not prescribed on March 23, 2006, and for which an application for adjustment proves necessary, a taxpayer must have filed such application by the prescription date applicable to such taxation year or by the 90th day following the date the law giving effect to this amendment is assented to, whichever occurs later.

For further information, see page 84 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Increase in the deduction for renovations or alterations to improve access to a building

The tax legislation will be amended to stipulate that a taxpayer may deduct, in calculating income from a business or property, the portion of the amount paid during the year for renovations or alterations made to a building the taxpayer uses mainly to earn such income, and regarding which the taxpayer holds an eligibility certificate issued by the Régie du bâtiment, according to which such renovations or alterations incorporate the obstacle-free design standards set out in the *Building Code*.

These changes will apply regarding renovation or alteration expenditures incurred after March 23, 2006.

For further information, see page 86 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Introduction of a tax credit for the hiring of employees specializing in financial derivatives

A temporary, non-refundable tax credit designed to encourage players in Québec's financial sector to hire and train employees specializing in financial derivatives will be introduced.

This non-refundable tax credit will allow an eligible corporation that employs, during a taxation year, an eligible specialized employee to claim a tax credit equal to 20% of the eligible salary paid to such employee, for such year, for any week or part thereof within the period covered by an eligibility certificate issued by the Ministère des Finances du Québec regarding such eligible specialized employee.

The amount of eligible salary regarding which a tax credit may be granted in relation to an eligible specialized employee, for the period covered by an eligibility certificate issued regarding such specialized employee that is within a taxation year of the eligible corporation, is limited to \$75,000 per eligible specialized employee, calculated on an annual basis. Accordingly, the amount of the tax credit, for a taxation year, may not exceed \$15,000 per eligible specialized employee.

This measure will apply regarding the eligible salary paid by an eligible corporation after March 23, 2006, to an eligible specialized employee for whom an eligibility certificate is issued by the Ministère des Finances after that day and before January 1, 2010.

For further information, see page 88 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Technical changes concerning international financial centres

Change correlative to the disappearance of certain markets from the Montréal Exchange

The *Act respecting international financial centres* will be amended to withdraw all references to the International Options Market, Mercantile or International Division of the Montréal Exchange.

This change will apply regarding transactions on outstanding securities or securities distributions carried out after March 15, 2005.

For further information, see page 92 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Clarifications relating to back office activity

The provisions of the *Act respecting international financial centres* relating to the back office activity will be amended to:

- specify that the back office activity stemming from a financial transaction carried out by a financial corporation may be made on behalf of a corporation or a partnership;
- specify that back office activities regarding insurance may be carried out on behalf of a person or a partnership, in relation to an insurance contract arising from the carrying on of a business of the insured and for which the premium is attributable exclusively or almost exclusively,

- for damage insurance, to the realization of a risk outside Canada, or,
- for insurance of persons, the coverage of a person who is not a Canadian resident, or of a person who is an expatriate Canadian resident because of his or her employment abroad.

In addition, a clarification will be made to the legislation to prevent the back office resulting from back office activity from constituting a qualified international financial transaction for the purposes of the provisions relating to such activity.

The *Act respecting international financial centres* will be amended to specify that the restriction relating to transactions carried out in a non-arm's-length context does not apply to back office activities.

These changes will apply regarding activities and transactions carried out after December 31, 2000. However, the change relating to the non-application of the restriction relating to transactions carried out in a non-arm's-length context will apply to a transaction carried out after March 30, 2004.

For further information, see page 93 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Clarification concerning the eligibility of a holding corporation for the SME Growth Stock Plan

The legislation relating to the SME Growth Stock Plan will be amended so that, regarding the eligibility for the plan of a holding corporation, the 50% of the value of property rule applies both to the qualification subsidiary on an individual basis, i.e., on the basis of its financial statements according to the terms and conditions currently stipulated by the legislation, and to the parent corporation on a consolidated basis, i.e., on the basis of its latest consolidated financial statements submitted to its shareholders for its last taxation year ended

- before the date the receipt for the final prospectus is obtained, in the case of a public offering;
- before the date of the placement in the case of a placement by an investment fund in accordance with a prospectus exemption according to the terms and conditions stipulated by the plan;
- before the filing date of an advance ruling application with Revenu Québec, where such an application is submitted for the purpose of registration on the list of the l'Autorité des marchés financiers (AMF).

This change will apply regarding a public offering of shares for which the receipt for the final prospectus has been granted, or, if applicable, for which the filing exemption is obtained, after March 23, 2006. This amendment will also apply to an advance ruling application submitted to Revenu Québec after March 23, 2006, in relation to an application for registration on the AMF list.

For further information, see page 94 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Withdrawal of installation activities for the purpose of various refundable tax credits granted in certain regions

Refundable tax credit for job creation in the resource regions

Refundable tax credit for job creation in the Gaspésie region and certain maritime regions of Québec

Refundable tax credit for job creation in the aluminum industry in the Saguenay–Lac-Saint-Jean region

The notion of certified business will be changed to exclude installation activities incidental to the manufacturing or processing activities carried out by a corporation or a corporation associated with it. This change will apply as of March 23, 2006.

However, an eligible corporation for which an eligibility certificate has been issued prior to March 23, 2006, may continue to receive the tax credit regarding its incidental installation activities, but only for calendar years 2006 and 2007.

Similarly, a corporation carrying out the activities covered by this change, and for which an application to obtain an eligibility certificate is filed with Investissement Québec prior to March 23, 2006, may also receive the tax credit for calendar years 2006 and 2007, if it satisfies the other application conditions. However, an application will not be considered to have been filed unless it is accompanied by the documents needed to determine the corporation's eligibility.

For further information, see page 96 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Changes to the refundable tax credit for major job-creating projects

The notion of eligible corporation will be changed so that a **corporation that continues to carry on a business** whose activities are covered by an eligible contract concluded by another corporation may be recognized as an eligible corporation for the purposes of the tax credit, if it satisfies the other conditions, such as job creation and maintenance.

The application details of the refundable tax credit for major job-creating projects will be changed to specify that an eligible corporation must not only achieve the **minimum job creation threshold** but also maintain this threshold for a period whose length will be established essentially according to the length of the eligible contract. Should an eligible corporation not be able to maintain the minimum job creation threshold for the entire period applicable to it for an eligible contract, Investissement Québec will stop certifying eligible employees for any part of the period for which the minimum job creation threshold is not maintained.

The application of these changes will be declaratory.

For further information, see page 99 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Technical changes to the fiscal measures relating to carrying out eligible activities in a designated site

Changes will be made to simplify the administrative tasks of corporations operating in designated sites. Where an exempt corporation is involved in an acquisition of control with a specified corporation, the exempt corporation will then become a specified corporation. Consequently, the two corporations will be eligible for tax assistance as specified corporations.

The number of employees that enable a corporation to receive tax assistance may not, at any time, exceed the number of employees that could enable a corporation to satisfy the criterion relating to the use of a reasonable space, in view of the rental floor space the corporation has in a designated site, for a single shift.

A declaratory amendment will be made to the *Taxation Act* to specify that the activities carried out by a corporation during the transition period before it moves into a designated site must be carried out in Québec to qualify for purposes of tax assistance.

The responsibility for designating the maximum floor space and exact location of each of the four biotechnology development centres (BDCs) will be transferred to Investissement Québec. However, the overall floor space of the BDCs may not, at any time, exceed 21,600 square metres.

For further information, see page 101 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustment to the qualified labour expenditure relating to a service contract for the purposes of a tax credit intended for businesses

The tax legislation will be amended to stipulate that, where a subcontractor and a taxpayer are not at arm's length, the amount of government or non-government assistance, a benefit or an advantage received by the subcontractor from the taxpayer who claims a tax credit, regarding the salary of one of the employees who provided services in the course of a contract giving rise to a tax credit, must reduce the amount of the taxpayer's qualified labour expenditure for the purposes of the given tax credit.

Similarly, the tax legislation will be amended to stipulate that the amount of government or non-government assistance, a benefit or an advantage received by the subcontractor from a taxpayer will also reduce the amount of the expenses giving rise to a tax credit for the taxpayer, should such expenses constitute the base of the tax credit, where the taxpayer and the subcontractor that provided services in the course of a contract giving rise to such tax credit are not at arm's length.

This change will apply regarding any assistance, benefit or advantage received or receivable as of March 24, 2006.

For further information, see page 107 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustment to the notion of eligible taxpayer for the purposes of a tax credit intended for businesses

The tax legislation will be amended to stipulate that, in the course of the application of the tax credits intended for businesses, the taxpayer must satisfy the eligibility criteria at the time the

taxpayer incurs the expenditure giving rise to a tax credit.

The application of this amendment will be declaratory, other than for taxation years prescribed on March 23, 2006. Accordingly, it will also apply regarding a year for which a notice of objection, an appeal or a waiver of prescription has been duly served on the Minister of Revenue before March 23, 2006.

However, concerning a taxation year that is not prescribed on March 23, 2006, and for which an application for adjustment proves necessary, a taxpayer must have filed such application by the prescription date applicable to such taxation year or by the 90th day following the date the law giving effect to this amendment is assented to, whichever occurs later.

For further information, see page 108 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Reduction in the tax assistance for the acquisition of Capital régional et coopératif Desjardins shares

The rate used to calculate the tax credit respecting the acquisition of Capital régional et coopératif Desjardins shares will be lowered from 50% to 35% for shares acquired after March 23, 2006. Thus, the maximum amount that individuals may deduct will decrease from \$1,250 to \$875.

The moratorium on the issue of Capital régional et coopératif Desjardins shares will be lifted on March 24, 2006. As of that date, the corporation will be able to start a new capitalization period that will end on February 28, 2007. During this and all subsequent capitalization periods, the corporation may increase its authorized capital by \$150 million. Its authorized capital will be \$1,325 million in its last capitalization period, which starts on March 1, 2010, and ends on February 28, 2011.

Should the paid-up capital of issued and outstanding shares exceed, at the end of a capitalization period that begins after March 23, 2006, the maximum paid-up capital provided for for that corporation, the corporation must pay a special tax equal to 35% of the excess amount.

For further information, see page 118 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Measures concerning the co-operative investment plan

Certain streamlining measures will be implemented regarding the new co-operative investment plan.

For further information, see page 121 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustments to the investment requirements of tax-advantaged funds

To ensure that the investment requirements of tax-advantaged funds are better adapted to capital markets, various adjustments will be made to the *Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, the *Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi* and the *Act constituting Capital régional et coopératif Desjardins*.

For further information, see page 131 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustment of the public utilities tax

Restructuring of the rate table for telecommunications networks

A standardized rate will apply to investments made as of the 2006 calendar year respecting the network of a telecommunications business whose net value of assets exceeds \$750 million. The rate will be 0.7%, and will apply to eligible assets (new assets).

For further information, see page 137 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Clarifications concerning the sale of assets that are part of a network

The tax legislation will be amended to ensure that no public utilities tax (PUT) is payable on the

sale of assets for a calendar year, or that the PUT is payable both by the vendor and the purchaser.

These changes will apply retroactively to the introduction of the PUT, that is, as of the 2005 calendar year.

For further information, see page 135 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Improvement to the refundable tax credit for the reporting of tips

As was announced in the Budget Speech of March 23, 2006, individuals and corporations that are entitled to the refundable tax credit for the reporting of tips can now claim the credit with respect to the following two additional expenses:

- the portion of the indemnities for statutory general holidays that is attributable to tips; and
- the portion of the indemnities for days of leave for family or parental matters that is attributable to tips. Please note that these days correspond to days on which an employee may be absent from work without reduction in wages for family or parental matters under the *Act respecting labour standards*.

For further information, see page 142 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Adjustment to the penalty for false statements or omissions

The tax legislation will be amended to stipulate that, in the calculation of the penalty for false statements or omissions, an amount deducted as capital cost allowance in respect of a property or an amount deducted in regard to the eligible incorporeal capital amount will not be taken into account.

This amendment will apply to a false statement or omission in a return prepared or filed after March 23, 2006.

For further information, see page 147 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Deduction for workers increased from \$500 to \$1,000

The Budget Speech of April 21, 2005, announced the introduction of a general deduction for workers as of January 1, 2006. The deduction is equal to 6% of an individual's eligible earned income for a given taxation year (2006), up to \$500.

The maximum amount of the deduction for workers will be doubled, from \$500 to \$1,000, as of the 2007 taxation year.

For further information, see page 1 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Improvement to the tax credit for home-support services for seniors

Increase in the tax credit rate and eligible expenses limit, and introduction of a deductible

The rate of the refundable tax credit for home-support services for seniors will be increased from 23% to 25%, and the annual limit on eligible expenses will be raised from \$12,000 to \$15,000. The maximum amount of the credit will increase from \$2,760 to \$3,750.

However, the first \$300 paid in a year for recognized home-support services will no longer be considered an expense eligible for the tax credit.

For further information, see page 6 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Payment of the tax credit by Revenu Québec

Use of the **service employment paycheque** arrangement to pay expenses eligible for the tax credit **will cease** as of January 1, 2007. The refundable tax credit for home-support services for seniors will be **claimed on the income tax return**.

Seniors will not be required to attach to their income tax return the invoices or other supporting

documents related to the recognized home-support services for which they paid. However, they must keep the documents, since Revenu Québec may audit their tax return at a later date and require them to prove that the services received constitute recognized home-support services for the purposes of the tax credit.

Revenu Québec may **pay the tax credit in advance** where the person:

- is resident in Québec at the time of the request;
- has reached age 70; and
- agrees to direct deposit of the advance payments in an account he or she holds at a financial institution located in Québec.

For further information, see page 6 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Recognition of nursing services

The tax legislation will be amended so that personal-support services provided by a member of the Ordre professionnel des infirmières et des infirmiers du Québec or the Ordre professionnel des infirmières et des infirmiers auxiliaires du Québec will constitute, as of the 2007 taxation year, recognized home-support services for the purposes of the tax credit.

For further information, see page 8 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Clarifications concerning certain home-support services

Various amendments will be made to the tax legislation to better define certain types of recognized home-support services for the purposes of the tax credit:

- meal-preparation services
- clothing-care services
- a maintenance service consisting of minor maintenance work performed outside a dwelling
- a maintenance service consisting of minor maintenance work performed inside an immovable

For further information, see page 9 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Determination of eligible expenses included in charges resulting from co-ownership

(condominium fees)

The tax legislation will be amended to provide that the eligible expenses of a senior for a given taxation year, with regard to condominium fees, correspond to the amount obtained by applying the senior's share of the charges resulting from co-ownership to the total amount paid during the year by the syndicate of co-owners for recognized home support-services in respect of common areas.

Moreover, syndicates of co-owners must file an information return on a prescribed form, indicating the information necessary for the senior to claim a tax credit for home-support services.

For further information, see page 10 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Introduction of tax relief for employee transit passes

To help reduce greenhouse gas emissions and promote sustainable development, the Québec government has introduced two fiscal measures designed to encourage employees to use mass transit for commuting to and from their place of work.

Under the first of these measures, employers that reimburse their employees for the cost of a mass transit pass or that provide such a pass to their employees are entitled to deduct, in calculating their income from a business, an additional amount equal to 100% of the expense already so deductible.

Briefly defined, a "mass transit pass" is a pass enabling passengers to use a public transport service provided by a public entity authorized by law to organize such a service. In certain cases, a mass transit pass may involve a monthly subscription.

Under the second of these measures, employees will not be required to include in their income, as a taxable benefit, the amount **reimbursed** by the employer for a mass transit pass (or the value of a pass **provided** by the employer) if the pass is purchased for the purpose of commuting between the employee's usual place of residence and place of work.

Mass transit pass

A "mass transit pass" is

- an eligible transit pass, that is, a transit pass enabling passengers to use a mass transport

service, other than a paratransit service, provided by a public authority authorized by law to organize such a service; or

- an eligible paratransit pass, that is, a transit pass enabling passengers to use a paratransit service provided by a public authority authorized by law to organize such a service.

A transit pass is considered a subscription-type pass only if it provides for a subscription for a period of at least one month.

For further information, see page 12 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Improvement to the tax treatment of donations and gifts

Improvement to the tax credit for donations and gifts

The tax legislation will be amended, as of the 2006 taxation year, to reduce the threshold above which the tax credit applies at a rate of 24%. The \$2,000 threshold will be lowered to \$200.

Thus, the first \$200 taken into consideration in the calculation of the tax assistance with regard to donations made by an individual gives entitlement to a tax credit calculated at a rate of 20%, while a rate of 24% applies to the remainder.

For further information, see page 16 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Gifts of musical instruments to institutions offering musical training

The tax legislation will be amended to provide that **no capital gain** will result from the gift of a musical instrument where this gift is made to a recognized educational institution.

The limit, generally set at 75% of the donor's income, on the total of the eligible amounts of the gifts used to calculate the **deduction** or the **tax credit for donations and gifts**, as the case may be, will not apply to gifts of musical instruments made to recognized educational institutions. Moreover, for the purposes of calculating the eligible amount of a gift, the presumption intended to limit the fair market value of the donated property to its cost or its adjusted cost base, as the case may be, will not apply to the calculation of the eligible amount of a gift of a musical instrument made to a recognized educational institution.

Recognized educational institutions are required to keep **registers** and a copy of all receipts that they issue for gifts of musical instruments. The receipts must contain the information required by the tax regulations.

These measures apply to gifts made to a recognized educational institution after March 23, 2006.

For further information, see page 17 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

Gifts to Québec museums

The tax legislation will be amended so that a gift made after March 23, 2006, to a museum established under the *National Museums Act* or the *Act respecting the Montreal Museum of Fine Arts* can be assimilated to a gift of cultural property that gives entitlement to the advantageous tax treatment associated with this type of gift, just as if the gift had been made to a museum selected by the Ministère de la Culture et des Communications and had been subject to the same terms and conditions as such a gift.

A new category of organizations will be granted general authorization to issue Québec income tax receipts. This new category will comprise organizations that have been registered by the Minister of Revenue as museums. In a given taxation year, a registered museum will be required to spend amounts that are at least equal to its disbursement quota for the year on museum activities (such as acquisition, conservation, research, dissemination, education and cultural action) that it carries on or on gifts that it makes to qualified donees.

For further information, see page 19 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Allowable child-care expenses

Beginning in the 2006-2007 school year, parents will have the option of paying, during the spring break, a contribution of \$14 per day for the care of school-age children (kindergarten and elementary school) who use school child-care services during that period.

This new reduced contribution, unlike the contribution of \$7 per day, will give entitlement to the refundable tax credit for child-care expenses, provided that the contribution is paid to enable the individual claiming the credit or the other person supporting the child to work, attend an educational institution or actively seek employment and that all conditions otherwise applicable have been satisfied.

For further information, see page 26 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Introduction of a deduction for foreign farm workers

Tax assistance will be introduced, beginning in the 2006 taxation year, making **half** the income earned from employment carried on in Québec by eligible seasonal farm workers from abroad non-taxable.

This tax assistance will take the form of a deduction in the calculation of the taxable income of eligible workers, or, if the worker did not reside in Canada at any time of the year, in the calculation of his or her income earned in Québec and income earned in Canada.

The expression "eligible worker" will refer to an individual who, in fact, did not reside in Canada at any time of the year and who has a valid work permit exclusively for seasonal farm work issued by the Canadian immigration authorities under one of the following programs:

- the Mexican Seasonal Agricultural Workers Program, implemented under a memorandum of understanding reached between the government of the United States of Mexico and the government of Canada
- the Caribbean Seasonal Agricultural Workers Program, implemented under a memorandum of understanding reached between the governments of certain Caribbean Commonwealth countries and the government of Canada
- the Pilot Project for Hiring Foreign Workers in Occupations that Usually Require a High School Diploma or Job-Specific Training, developed by the government of Canada

This new deduction for foreign farm workers will be automatically taken into consideration in the calculation of source deductions of income tax.

For further information, see page 27 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Improvement of tax deferral measures for artists

For the purposes of determining the maximum amount that may be used to acquire an eligible income-averaging annuity, the excluded amount will be reduced by half, beginning in the 2006 taxation year.

The portion of a recognized artist's income that will be eligible for averaging for a particular taxation year is the amount by which the portion of the artist's income that can reasonably be considered attributable to artistic activities for which he or she is a recognized artist exceeds the aggregate of the following amounts:

- \$25,000; and
- the amount of the deduction for copyright income or similar royalties to which the artist is entitled for the year.

For further information, see page 29 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Changes to the tax credit for adoption expenses

The tax legislation will be amended so that an individual may, in a given taxation year, claim a refundable tax credit for expenses related to the adoption of a child if, during that year, a qualifying decision is rendered in the individual's favour in respect of his or her adoption of a child.

For this purpose, the expression "qualifying decision" in respect of the adoption of a child by an individual refers to one of the following cases:

- a judgment rendered by a court having jurisdiction in Québec recognizing a decision rendered outside Québec authorizing the adoption of the child by the individual;
- a judgment authorizing the adoption of the child by the individual rendered by a court having jurisdiction in Québec, other than a judgment approving the proposed adoption of a child domiciled in the People's Republic of China;
- where the application for adoption was submitted before February 1, 2006, in respect of a child domiciled in the People's Republic of China, the certificate of registration, issued by the clerk of the Court of Québec, of the adoption of the child by the individual;
- the certificate of compliance with the Hague Convention on Protection of Children and Co-operation in Respect of Intercountry Adoption issued by the competent authority of the State in which the adoption of the child by the individual took place, unless the Minister of Health and Social Services has referred it to the courts.

These amendments will apply as of the 2006 taxation year.

The tax legislation will be amended to include, in the list of the expenses that are eligible for the refundable tax credit for adoption expenses, expenses that result from a requirement imposed by a government authority during the adoption of a child. This amendment will apply as of the 2006

taxation year, and will also apply to any of a taxpayer's taxation years for which the Minister of Revenue may, on March 23, 2006, calculate or recalculate the tax payable by that taxpayer for the year, and make an assessment, a reassessment or an additional assessment.

The list of eligible expenses will be changed to include, instead of the judicial or extrajudicial expenses as defined in the existing legislation, the judicial, extrajudicial and administrative expenses incurred to obtain a qualifying decision in respect of the adoption of a child. This amendment will apply as of the 2006 taxation year.

For further information, see page 32 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Conversion of the tax credit for a recent graduate working in a remote resource region

As of the 2006 taxation year, tax assistance for a recent graduate working in a remote resource region will take the form of a non-refundable tax credit spread out over a minimum of three years.

The non-refundable tax credit will enable young graduates to reduce their income tax payable by up to \$3,000 a year – for a cumulative total of \$8,000 – as long as they reside continuously in a remote resource region and hold a job there related to their field of specialization.

To claim the non-refundable tax credit for a particular taxation year, an individual must reside in a remote resource region at the end of the year and be in one of the following situations:

- The individual started an eligible job at any time in the taxation year and within a 24-month period following the date on which he or she
 - successfully completed a training course leading to a recognized diploma; or
 - obtained a recognized graduate degree in an educational program requiring him or her to write an essay, dissertation or thesis.
- The individual held an eligible job in the particular taxation year and resided in a remote resource region throughout the period beginning at the end of the last year for which he or she was eligible for a refundable or non-refundable tax credit for a recent graduate and ending at the end of the particular taxation year.

The amount an individual may deduct in the calculation of his or her income tax otherwise payable for a particular taxation year will be equal to the lowest of the following amounts:

- the income tax otherwise payable by the individual for the year
- 40% of the salary or wages from an eligible job for the year
- \$3,000
- the amount by which \$8,000 exceeds the aggregate of the amounts obtained by the individual as a refundable or non-refundable tax credit for a recent graduate working in a remote resource region for any taxation year prior to the particular taxation year

For further information, see page 33 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Calculation of employment income for the purposes of measures intended exclusively for workers

The tax legislation will be amended to provide that an individual whose income from an office or employment for a particular year comprises solely the value of benefits he or she received by reason of a previous office or employment may not take that income into account for the purposes of the deduction for workers, the refundable tax credit for medical expenses or the tax credit for the work premium.

The tax legislation will be further amended to provide that business income or losses that may be taken into account for the purposes of the tax credit for the work premium must be from a business the individual carries on either alone or as a partner actively engaged in the business.

These changes will apply as of the 2006 taxation year.

For further information, see page 37 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.



Tax treatment applicable to taxable dividends

Québec legislation will be harmonized with federal legislation further to the proposed changes introducing the concept of "eligible dividends," announced by the federal Minister of Finance on November 23, 2005.

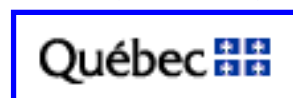
Québec legislation will be amended to increase the gross-up rate from 25% to 45% for dividend income consisting of eligible dividends. The gross-up rate for all taxable dividend income other than eligible dividend income will remain the same, that is, 25%.

For dividend income consisting of eligible dividends, the Québec dividend tax credit will be increased to 11.9% of the grossed-up dividend. For dividend income other than eligible dividend income, the Québec dividend tax credit will be reduced to 8% of the grossed-up dividend.

These changes will apply to dividends paid or deemed paid after March 23, 2006.

For further information, see page 116 in [Additional Information on the Budgetary Measures](#), published by the Ministère des Finances.

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