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# Tax Alert – Canada

## Québec Budget 2024-2025

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Today, it is my responsibility to set out the facts for Quebecers. I am therefore presenting you with the result of a balancing act between Québec’s major socioeconomic ambitions and the maintenance of a responsible financial framework...

Our government has made health and education its top two priorities.”

*Québec Finance Minister Éric Girard  
2024-25 budget speech*

On 12 March 2024, Québec Finance Minister Éric Girard tabled the province's fiscal 2024-25 budget. The budget contains several tax measures affecting individuals and corporations. The budget contains no new taxes and no income tax increases.

The minister anticipates a deficit of \$6.3 billion for fiscal 2023-24 (after contributions to the Generations Fund) and \$11.0 billion for fiscal 2024-25, and projects deficits for each of the next four years.

The following is a brief summary of the key tax measures.

# Business tax measures

## Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

Québec’s 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 Québec corporate income tax rates<sup>1</sup>

	QC	Federal and QC combined
Small-business tax rate <sup>2, 3</sup>	3.20%	12.20%
General corporate tax rate <sup>3, 4</sup>	11.50%	26.50%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> Effective for taxation years beginning on or after 1 January 2017, a Canadian-controlled private corporation (CCPC) must meet certain qualification criteria concerning the minimum number of hours paid to benefit from the small-business tax rate. The minimum number of hours paid criterion requires that an eligible corporation's employees work at least 5,500 hours annually, and the amount of the deduction is reduced linearly when the hours are between 5,500 and 5,000 hours. A maximum of 40 hours per week per employee is considered. Special conversion rules apply to take into consideration hours worked (but not necessarily paid in the form of wages) by actively engaged shareholders who hold, directly or indirectly, shares of the corporation that carry more than 50% of the voting rights.

<sup>3</sup> The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Quebec rates above.

<sup>4</sup> An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

## Other business tax measures

### *Enhancement of the refundable tax credit for Québec film or television productions*

The budget proposes to increase the limit from 50% of production costs to 65% of production costs incurred and directly attributable to film production.

This change will apply in respect of a Québec film production for which an application for an advance ruling, or an application for a certificate if no advance ruling was previously filed in respect of this production, is filed with the Société de développement des entreprises culturelles (SODEC) after 12 March 2024.

### *Adjustments to the refundable tax credit for film production services*

The budget proposes to increase the rate of the basic tax credit by 5 percentage points for a total rate of 25% for a taxation year.

In addition, only 65% of the portion of the cost of a contract with a service provider for computer-aided special effects and animation will be considered in calculating the basic tax credit and the increase for special effects.

These changes will apply in respect of a qualified production for which an application for an approval certificate will be submitted to the SODEC:

- ▶ after 12 March 2024, if the SODEC deems that work on the production was not sufficiently advanced on 12 March 2024;
- ▶ after 31 May 2024, in all other cases.

### ***Changes to the tax credits for the development of e-business (TCEB)***

The budget proposes to introduce an exclusion threshold per eligible employee in the calculation of the TCEB, so that the TCEB is calculated on an amount corresponding to the excess of the qualified wages over the applicable exclusion threshold. The amount of excluded wages relating to qualified wages incurred and paid by a qualified corporation, for a taxation year, will be equal to the lesser of the following amounts:

- ▶ the amount corresponding to the qualified wages incurred and paid by a qualified corporation in respect of an eligible employee for the taxation year;
- ▶ the amount corresponding to the exclusion threshold applicable to qualified wages for the year, which corresponds to the amount taken into account in calculating the basic personal tax credit (\$18,056 for 2024) for the calendar year in which the qualified corporation's taxation year begins, adjusted to take into account the number of days in the taxation year of the qualified corporation where the employee qualifies as an eligible employee.

In addition, the government proposes to remove the \$83,333 limit currently applicable to the qualified wages of an eligible employee.

The budget also proposes to increase the non-refundable tax credit rate by one percentage point per year so that it eventually reaches 10%, and correspondingly reduce the refundable tax credit so that it eventually reaches 20%. The proposed tax credit rates are summarized in Table B.

**Table B - Applicable TCEB rates (per cent)**

	2024	2025	2026	2027	2028 <sup>1</sup>
Refundable tax credit	24.0	23.0	22.0	21.0	20.0
Non-refundable tax credit	6.0	7.0	8.0	9.0	10.0
<b>TOTAL</b>	30.0	30.0	30.0	30.0	30.0

<sup>1</sup> Rates applicable to the 2028 calendar year will apply to subsequent years.

The changes relating to the introduction of an exclusion threshold and the removal of the limit will apply, for both the refundable and non-refundable tax credits, in respect of a taxation year beginning after 31 December 2024. Changes to the tax credit rates will take effect on 1 January of each calendar year concerned. A qualified corporation whose taxation year does not correspond to the calendar year must, in the calculation of its tax credits for a taxation year, take into account the rates in effect for the calendar year in which its taxation year begins.

#### ***Changes to the tax credits for the production of multimedia titles***

The budget proposes to introduce an exclusion threshold per eligible employee in the calculation of these tax credits, so that they are calculated on an amount corresponding to the excess of the qualified labour expenditure in respect of an eligible employee over the applicable exclusion threshold. The amount of excluded salary or wages relating to salary or wages that a corporation has incurred and paid, or that a subcontractor with which it does not deal at arm's length has incurred and paid, for a taxation year, will be equal to the lesser of the following amounts:

- ▶ the amount corresponding to the salary or wages attributable to a multimedia title that a corporation or a subcontractor with which it does not deal at arm's length has incurred and paid in respect of an eligible employee for eligible production work relating to a multimedia title for the taxation year;
- ▶ the amount corresponding to the exclusion threshold applicable to salary or wages for the year, which corresponds to the amount taken into account in calculating the basic personal tax credit (\$18,056 for 2024) for the calendar year in which the qualified corporation's taxation year begins, adjusted to take into account the number of days in the taxation year of the qualified corporation where the employee qualifies as an eligible employee.

In addition, the government proposes to remove the \$100,000 limit currently applicable to the qualified labour expenditure with respect to an eligible employee.

The budget also introduces a non-refundable tax credit with an initial rate of 2.5% in 2025, and which will subsequently increase by 2.5 percentage points per year to eventually reach 10%, and correspondingly reduces the refundable tax credits currently in place. The proposed tax credit rates are summarized in Table C.

**Table C - Applicable rate of the tax credits for the production of multimedia titles (per cent)**

	2024	2025	2026	2027	2028 <sup>1</sup>
<b>Multimedia title to be commercialized and available in French and which is not a vocational training title</b>					
Refundable tax credit	37.50	35.00	32.50	30.00	27.50
Non-refundable tax credit	0.00	2.50	5.00	7.50	10.00
<b>TOTAL</b>	<b>37.50</b>	<b>37.50</b>	<b>37.50</b>	<b>37.50</b>	<b>37.50</b>
<b>Multimedia title to be commercialized, not available in French, and which is not a vocational training title</b>					
Refundable tax credit	30.00	27.50	25.00	22.50	20.00
Non-refundable tax credit	0.00	2.50	5.00	7.50	10.00
<b>TOTAL</b>	<b>30.00</b>	<b>30.00</b>	<b>30.00</b>	<b>30.00</b>	<b>30.00</b>
<b>Other multimedia title, including a vocational training title</b>					
Refundable tax credit	26.25	23.75	21.25	18.75	16.25
Non-refundable tax credit	0.00	2.50	5.00	7.50	10.00
<b>TOTAL</b>	<b>26.25</b>	<b>26.25</b>	<b>26.25</b>	<b>26.25</b>	<b>26.25</b>

<sup>1</sup> Rates applicable to the 2028 calendar year will apply to subsequent years.

The amendment relating to the introduction of an exclusion threshold, the removal of the limit, and the introduction of a non-refundable tax credit will apply, in respect of a taxation year that will begin after 31 December 2024. Changes to the tax credit rates will take effect on 1 January of each calendar year concerned. A qualified corporation whose taxation year does not correspond to the calendar year must, in the calculation of its tax credits for a taxation year, take into account the rates in effect for the calendar year in which its taxation year begins.

The portion of the non-refundable tax credit that does not reduce the tax payable of a qualified corporation for the taxation year to which the tax credit applies may be carried back three taxation years or carried forward 20 taxation years. However, this carry-over will not be allowed for a taxation year for which the corporation is not entitled to the tax credit, nor for a taxation year that begins before 1 January 2025.

***Easing of the notion of government assistance for the application of the tax credit for the production of biofuel and the tax credit for the production of pyrolysis oil in Québec***

Currently, the amount of the refundable tax credit for the production of biofuel in Québec and the refundable tax credit for the production of pyrolysis oil in Québec from which a qualified corporation may benefit must be reduced by the amount of any government assistance, non-government assistance, benefit or advantage attributable to the eligible production of biofuel and pyrolysis oil.

The credits will be retroactively amended to postpone the application of this reduction for the value of compliance credits granted to a corporation under the federal *Clean Fuel Regulations*, where this value is considered government assistance (i.e., when certain conditions are met). Accordingly, for the purposes of these tax credits, the expression “government assistance” will include this value, but only as of a corporation’s taxation year that will begin after 31 December 2027.

***Abolition of the tax credit to foster the retention of experienced workers***

The budget proposes to eliminate the tax credit for experienced workers in respect of an amount paid by a corporation or partnership, as the case may be, as employer contributions attributable to a date after 12 March 2024.

Specifically, any amount paid by a qualified corporation or a qualified partnership, as the case may be, as employer contributions will only be considered an eligible contribution for purposes of this credit if it relates to the portion of salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the corporation or partnership in the calendar year to an employee, and that is attributable to a date on or before 12 March 2024.

## **Personal tax**

### **Personal income tax rates**

The budget does not include any changes to personal income tax rates.

The 2024 Québec personal income tax rates are summarized in Table D.

**Table D - 2024 Québec personal income tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
\$0 to \$51,780	\$51,781 to \$103,545	\$103,546 to \$126,000	Above \$126,000
14.00%	19.00%	24.00%	25.75%

For taxable income in excess of \$126,000, the 2024 combined federal - Québec personal income tax rates are outlined in Table E.

**Table E - Combined 2024 federal and Québec personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$126,001 to \$173,205	47.46%	32.04%	41.97%
\$173,206 to \$246,752 <sup>2</sup>	50.23%	35.86%	45.16%
Above \$246,752	53.31%	40.11%	48.70%

<sup>1</sup> The rate on capital gains is one-half the ordinary income tax rate.

<sup>2</sup> The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$194 is eliminated; this results in additional federal income tax (e.g., 0.26% on ordinary income) on net income between \$173,206 and \$246,752.

## Other personal tax measures

### *Supplements for children with disabilities under refundable tax credit granting allowance to families*

The budget proposes amendments to the family allowance that will impact the following supplements for children with disabilities.

- ▶ **Supplement for Handicapped Children (SHC)** - The changes affecting the SHC include the following:
  - ▶ **Changes to certain assessment parameters for an impairment:** The attestation of the results and the methods used to confirm a persistent histological, anatomical or metabolic alteration of any of the organ systems or the persistent alteration of the corresponding physiological function will be replaced by a requirement that the professional's assessment report include certain elements. Diagnoses and the extent and severity of impairments must also have been assessed by a member of a professional order in accordance with applicable standards of practice and must be

confirmed by, among other things, significant observations in the anamnesis and physical examination.

- ▶ **Revision of presumed cases of serious handicap related to an impairment:** Schedule A of the *Regulation respecting the Taxation Act* provides a series of tables of presumed cases of serious handicap for the purposes of the SHC. This Schedule includes tables of presumed cases of serious handicap related to an impairment. These tables, particularly those presented in Part 1 of the schedule, will be replaced.

These changes will apply in respect of any SHC application filed with Retraite Québec after 30 June 2024. They will also apply in respect of any decision rendered after 30 June 2024 following a reassessment of the child's condition by Retraite Québec.

- ▶ **Supplement for Handicapped Children Requiring Exceptional Care (SHCREC):** The eligibility criteria for the SHCREC are divided into two levels and the amount granted varies according to the level for which the child is eligible. The tax legislation will be amended so that, for the purposes of computing the amount for the first level of the SHCREC, an eligible dependent child also means a child who qualifies for the SHC who is under two years of age at the beginning of the particular month and who is in either of the following situations:
  - ▶ the child has an established serious chronic disease, without known treatment, and presents both serious, multiple and persistent disabilities, including very severe motor disabilities, as well as significant and persistent daily symptoms requiring multiple or complex medical care;
  - ▶ the child has a neurogenetic, congenital or metabolic disease, without known treatment, limiting life expectancy to childhood, and is associated with very severe symptoms from the first months of life due to serious, multiple and persistent disabilities.

This change will apply in respect of all applications filed with Retraite Québec to obtain or reassess the SHCREC after 30 June 2024. It will also apply in respect of any application for such supplement filed before 1 July 2024 and for which no decision has been rendered by Retraite Québec before that date.

### ***Supporting seniors with disabilities***

- ▶ **Eliminating the pension reduction starting at age 65:** The retirement pension reduction currently applicable to seniors with disabilities aged 65 or over will be eliminated as of 1 January 2025.
- ▶ **Protecting the benefits of recipients:** Recipients of a disability pension from age 60 to 64 will see their benefits protected to ensure that their benefits are at least as high as what they were prior to the payment of their retirement pension. This protection will apply retroactively to 1 January 2024.

### ***Reducing Roulez vert program rebates***

The budget proposes a reduction of the maximum rebates for the purchase of an electric vehicle. The rebates will be as follows starting on 1 January 2025:

- ▶ \$4,000 for new fully electric or fuel cell vehicles and \$2,000 for new plug-in hybrid vehicles costing less than \$65,000;
- ▶ \$2,000 for used fully electric vehicles and \$1,000 for electric motorcycles.

Rebates for the purchase of an electric vehicle will be reduced gradually and will stop being offered on vehicles registered on or after 1 January 2027. The rebates for home charging stations remain. The proposed rebates are summarized in Table F.

**Table F - Revision of terms and conditions for the rebates on the purchase of electric vehicles and charging stations (dollars)**

	Until 31 December 2024	1 January 2025	1 January 2026	1 January 2027
New fully electric or fuel cell vehicles	7,000	4,000	2,000	–
New plug-in hybrid vehicles	5,000	2,000	1,000	–
Used fully electric vehicles	3,500	2,000	1,000	–
Electronic motorcycles	2,000	1,000	500	–
Limited-speed electric motorcycles	500	–	–	–
Home charging stations <sup>1</sup>	600	600	600	600

<sup>1</sup> The maximum rebate is \$5,000 on workplace or multi-unit residential building charging stations.

### ***Measure to ensure support payments are received on a regular basis***

As part of the administration and collection of support payments by Revenu Québec, the government will be introducing a new deterrent measure allowing for the suspension of the driver's licence of highly uncooperative payors who seek to avoid making the support payments they are legally bound to make.

## Other tax measures

### Measures relating to consumption taxes

#### *Increases in the specific tax on tobacco products as part of tobacco control efforts*

The rates of this tax will be changed a first time on 13 March 2024 as follows:

- ▶ the rate of the specific tax of 18.9 cents per cigarette and per gram of loose tobacco or leaf tobacco will be raised to 19.9 cents;
- ▶ the rate of the specific tax of 29.07 cents per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars will be raised to 30.61 cents per gram; the minimum rate applicable to tobacco sticks will also be raised from 18.9 to 19.9 cents per stick.

The rates of this tax will be changed a second time on 6 January 2025 as follows:

- ▶ the rate of the specific tax of 19.9 cents per cigarette and per gram of loose tobacco or leaf tobacco will be raised to 20.9 cents;
- ▶ the rate of the specific tax of 30.61 cents per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco and cigars will be raised to 32.15 cents per gram; the minimum rate applicable to tobacco sticks will also be raised from 19.9 to 20.9 cents per stick.

In addition, persons not under an agreement with Revenu Québec who sell tobacco products in respect of which the specific tax has been collected in advance or should have been, will have to take inventory of all these products they have in stock:

- ▶ For the first increase, at midnight 12 March 2024 and remit, before 13 April 2024, an amount equal to the difference between the tax applicable at the new rates and the tax applicable at the rates in effect prior to midnight 12 March 2024. Persons required to take inventory must use for this purpose the form provided by Revenu Québec and return it before 13 April 2024.
- ▶ For the second increase, at midnight on 5 January 2025 and remit, before 8 February 2025, an amount equal to the difference between the tax applicable at the new rates and the tax applicable at the rates in effect prior to midnight 5 January 2025. Persons required to take inventory must use for this purpose the form provided by Revenu Québec and return it before 8 February 2025.

***Increase in the number of years covered by the Guide d'Évaluation Hebdo (Automobiles et Camions Légers) published by Société Trader Corporation***

To limit tax avoidance with respect to transactions relating to used road vehicles, the Québec sales tax (QST) system includes rules to determine the market value of such vehicles for the purposes of calculating the QST payable on their sale. The *Guide d'Évaluation Hebdo (Automobiles et Camions Légers)* published by Société Trader Corporation is the reference volume used to determine the market value of used motor vehicles. The average wholesale prices listed in this volume only cover a nine-year period.

The number of years covered by the average wholesale price listed in the *Guide d'Évaluation Hebdo* will be increased from 9 to 14, starting on 1 January 2025.

***Bringing into Québec of a road vehicle:***

The QST system - which provides for an anti-avoidance rule to determine the market value of used road vehicles for the purposes of calculating the tax payable regarding the selling or bringing into Québec of these vehicles - will be amended so that the rule relating to the determination of the estimated value that is part of the anti-avoidance rule does not apply to a used road vehicle brought into Québec following its transfer, outside Québec, between related individuals.

This change will apply in respect of such used road vehicles brought into Québec after 12 March 2024.

**Property tax**

***Announcement of a consultation regarding the modernization of property taxes to promote robotization***

To promote innovation in robotization in Québec businesses, as part of Budget 2024-2025 a consultation with municipalities in this regard will be launched to modernize certain provisions of the *Act respecting municipal taxation*.

## Learn more

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