

# TAX FLASH BULLETIN

## 2022 QUEBEC BUDGET HIGHLIGHTS

On March 22, 2022, Quebec's Finance Minister, Eric Girard, released the province's 2022-2023 budget. The minister forecasts a \$7.4 billion deficit for the current 2021-2022 fiscal year in comparison to the \$12.3 billion deficit projected in March 2021. The minister projects a \$6.5 billion deficit for the 2022-2023 budget year and stated that the government is on the path to restore a balanced budget by 2027-2028. We have highlighted selected budget measures that affect individuals and small businesses in Quebec.

### INDIVIDUALS

#### *Personal Tax Rates*

The budget did not propose any changes to Quebec individual income tax rates or income tax brackets. Quebec indexed the 2022 tax brackets at an inflation rate of 2.64%.

#### Quebec Income Tax Brackets and Rates

2021 Taxable Income	2022 Taxable Income	Tax Rate
\$0 to \$15,728	\$0 to \$16,143	0.00%
\$15,728 to \$45,105	\$16,143 to \$46,295	15.00%
\$45,105 to \$90,200	\$46,295 to \$92,580	20.00%
\$90,200 to \$109,755	\$92,580 to \$112,655	24.00%
Over \$109,755	Over \$112,655	25.75%

#### Top Combined Quebec and Federal Rates

Income Type	2021	2022
Salary, pension, interest, foreign income	53.31%	53.31%
Eligible dividends	40.11%	40.11%
Non-eligible dividends	48.02%	48.70%
Capital gains	26.65%	26.65%

Top rates apply to taxable income over \$221,708 (\$216,511 for 2021) based on known rates as of March 22, 2022

#### *Cost of Living One-Time Payment*

Because of the rising cost of living in Quebec, the provincial government will provide a one-time payment of \$500 per adult aged 18 or older with a net income of \$100,000 or less. The amount will be reduced by 10% for income in excess of \$100,000; a person with over \$105,000 of net income will not receive the benefit. Quebec will determine eligibility based on information in the 2021 individual income tax returns. The assistance will be a refundable tax credit individuals can claim on their 2021 Quebec tax return.

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### *Perpetuation of the Major Cultural Gift Tax Credit*

The budget proposes to eliminate the January 1, 2023 deadline for making large cultural donations that would be subject to the 25% increased donation credit. The enhanced tax credit of up to \$6,250 for eligible donations from individuals is now permanent. For the purposes of this credit, cultural organizations include registered charities operating in Quebec in the arts or culture sector, registered culture or communications organizations, and registered museums.

### *Extension of the Residential Waste Water Upgrade Tax Credit*

The budget proposes to extend the waste water system upgrade tax credit for another five years until March 31, 2027. The personal refundable tax credit provides a maximum tax savings of up to \$5,500 per eligible dwelling for upgrading the residential waste water treatment systems. The credit is 20% of the portion of eligible expenses exceeding \$2,500.

### *Elimination of Interest on Student Loans Extended*

Last year, individuals required to repay amounts under student financial assistance programs did not have to pay interest on those amounts for the period from April 1, 2021 to March 31, 2022. The Quebec government will pay, on behalf of borrowers, the interest owing to financial institutions and set an interest rate of 0% on amounts owing to the Minister of Higher Education for the duration of the measure. The budget extends this measure to March 31, 2023.

### *Strengthening the Tax Fairness Action Plan*

To strengthen the Tax Fairness Action Plan, the budget announced investments of over \$190 million to:

- continue implementation of the Tax Fairness Action Plan;
- facilitate taxpayer compliance;
- step-up the fight against economic crime.

As part of this plan, Revenue Quebec aims to improve its service delivery by deploying Project VISION to transform and simplify services to individuals and businesses through digital tax administration.

## **BUSINESSES**

### *Corporate Income Tax Rates*

The budget did not propose any changes to Quebec corporate income tax rates or the small business deduction calculation.

#### **2022 Quebec Corporate Tax Rates**

<b>Income Type</b>	<b>Quebec Rate</b>	<b>Federal Rate</b>	<b>2022 Calendar Combined Rates</b>
General corporate income	11.50%	15.00%	26.50%
Small business income – federal and Quebec income eligible for the small business deduction	3.20%	9.00%	12.20%
Small business income – only federal income eligible for the small business deduction	11.50%	9.00%	20.50%

CCPC* investment income	11.50%	38.67%	50.17%
Non-CCPC investment income	11.50%	15.00%	26.50%
Manufacturing & processing	11.50%	15.00%	26.50%

\*Canadian-controlled private corporation  
Based on known federal and Quebec rates at March 22, 2022

### *Extension to the Temporary Increase in the Investment and Innovation Tax Credit*

The prior year's budget doubled the existing Innovation Tax Credit (C3i) until December 31, 2022. Due to the economic situation, the current budget proposes to change the expiry date of the enhanced credit to December 31, 2023. The refundable tax credit encourages business in all sectors to acquire new technologies to digitize their production and management processes and upgrade their manufacturing equipment between March 11, 2020 and December 31, 2024. The credit is calculated on the portion of the specified expenses in excess of \$5,000 or \$12,500 depending on the property. The credit is limited to cumulative expenses of \$100 million.

<b>Specified property location</b>	<b>Tax Credit Rate</b>	<b>Temporary Enhancement March 26, 2021 to December 31, 2023</b>
Low economic vitality zone	20%	40%
Intermediate economic vitality zone	15%	30%
High economic vitality zone	10%	20%

### *Introduction of Biofuel Production Tax Credit*

The budget introduces a new refundable tax credit for the production of biofuel in Quebec. A qualified corporation will be able to claim this tax credit in respect of eligible biofuels that it produces in Quebec for sale and use in Quebec, up to a maximum of 300 million litres per year. The tax credit will be available from April 1, 2023 to March 31, 2033.

### *Extension of Pyrolysis Oil Production Tax Credit*

In order to maintain the province's efforts to reduce greenhouse gas emissions, the budget extends the refundable tax credit for the production of pyrolysis oil for ten years until March 31, 2033.

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