ORDRE DES COMPTABLES PROFESSIONNELS AGRÉÉS DU QUÉBEC

2018-2019 QUÉBEC BUDGET SUMMARY

March 27, 2018

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INTRODUCTION

The Economic Plan tabled on March 27, 2018 by Minister Carlos J. Leitão presents a balanced budget for the fourth consecutive year.

With this budget, the government is also beginning to repay the debt.

Here are the highlights of the 2018-2019 budget.

MEASURES PERTAINING TO INDIVIDUALS

Introduction of a first-time home buyers' tax credit

A new non-refundable first-time home buyers' tax credit will be introduced as of the 2018 taxation year.

An individual who is resident in Québec at the end of a taxation year may deduct, in the calculation of the individual's tax otherwise payable for the year, where a qualifying home in respect of the individual is acquired in the year, the product obtained by multiplying $5,000 by the rate of 15%. Thus, the maximum value of the tax credit will be $750.

An individual's unused portion of the first-time home buyers' tax credit will not be transferable to the individual's spouse under the mechanism for transferring the unused portion of certain non-refundable tax credits to the spouse.

New extension, to March 31, 2019, of the eligibility period for the RénoVert tax credit

To spur more households to adopt eco-friendly behaviour in their home renovation projects, and to encourage households whose qualified expenditures have not yet reached $52,500 to undertake other eco-friendly renovation work, the period during which a renovation agreement may be entered into with a qualified contractor for the purposes of the RénoVert tax credit will again be extended by one year, to March 31, 2019.

Greater access to the tax shield

The purpose of the tax shield is to offset, further to an increase in work income, a part of the loss of the socio-fiscal transfers designed to incentivize work, namely, the refundable tax credit granting a work premium—the general work premium, or the adapted work premium for persons whose capacity for employment is severely limited—and the refundable tax credit for childcare expenses.

For the purposes of the tax shield, the maximum increase in eligible work income relative to the previous year will be increased from $3,000 to $4,000, for each member of a household, as of the 2018 taxation year.

Enhancement of the tax credit for experienced workers

The age of eligibility for the tax credit will be lowered, as of the 2018 taxation year, to 61 years of age. For the new category of workers 61 years of age, the maximum amount of eligible work income on which the tax credit would be calculated is $3,000.

Moreover, the tax legislation will be amended to provide that the maximum amount of eligible work income on which the tax credit will be calculated for experienced workers aged 62 and over will be increased by $1,000 as of the 2018 taxation year.

Adjustment of maximum eligible work income above the first $5,000 based on age, as of 2018 (dollars)

Age of experienced worker	Maximum amount of eligible work income
65 years or over	11,000
64 years	9,000
63 years	7,000
62 years	5,000
61 years	3,000

Changes to the refundable tax credit for informal caregivers of persons of full age

The refundable tax credit for informal caregivers of persons of full age breaks down into three components based on whether an individual houses or co-resides with a relative, or is the relative's spouse.

A new component will be added to the tax credit for informal caregivers as of the 2018 taxation year.

The fourth component will apply to informal caregivers who, without housing or co-residing with a relative, regularly and continuously help the relative.

An individual who is resident in Québec, at the end of a particular year will be able to claim this credit.

Amount of the tax credit

The new component of the tax credit will consist of $533 and will be reducible on the basis of the eligible relative's income for the year for which the tax credit is claimed.

This amount will be reduced at a rate of 16% for each dollar of the eligible relative's income that exceeds a threshold of $23,700.

The various parameters of the new component of the refundable tax credit for informal caregivers of persons of full age, apart from the reduction rate, will be automatically adjusted each year as of the 2019 taxation year.

Eligible relatives

For the purposes of the new component of the tax credit for informal caregivers of persons of full age, a person will be considered an eligible relative of an individual for a minimum period of support provided to the person by the individual for a year, if, throughout that period, the person meets the following conditions:

> the person's principal place of residence is situated in Québec;

> the person is either the child, grandson, granddaughter, nephew, niece, brother, sister, father, mother, uncle, aunt, grandfather, grandmother, great-uncle or great-aunt of the individual or of the individual's spouse, or another direct ascendant of the individual or of the individual's spouse;

> the person does not live in a dwelling situated in a private seniors' residence or in a public network facility;

> the person has a severe and prolonged impairment[1] because of which, according to the certification from a physician, the person needs assistance in carrying out a basic activity of daily living.

Minimum period of support

The minimum period of support provided to a person by an individual for a particular taxation year will correspond to a period of at least 365 consecutive days commencing in the year or in the preceding year, of which at least 183 are in the particular year during which the individual provided unremunerated regular, continuous assistance to the relative by assisting the relative in carrying out a basic activity of daily living.

Other terms of application

No amount will be granted under this new component of the tax credit for informal caregivers of persons of full age in respect of an eligible relative for a taxation year, if an individual claims an amount under one of the other three components of the tax credit in respect of the relative for the taxation year.

Nurse practitioners will be authorized, for the purposes of the refundable tax credit for informal caregivers of persons of full age, to issue certifications confirming that the eligible relative, because of the relative's severe and prolonged impairment in physical or mental functions, is unable to live alone or needs assistance in carrying out a basic activity of daily living, as the case may be.

These amendments will apply as of March 27, 2018.

Enhancement of the refundable tax credit for volunteer respite provided to informal caregivers

Changes will be made to the refundable tax credit for volunteer respite provided to informal caregivers, as of the 2018 taxation year.

First, the requirement relating to the number of hours of volunteer respite services to be provided by an individual to an informal caregiver in respect of a care recipient will be eased. In addition, the maximum amount that may be attributed by an informal caregiver, in relation to a care recipient, to an eligible individual for a taxation year on account of the refundable tax credit for volunteer respite provided to informal caregivers will be adjusted based on the number of hours of volunteer respite services provided to the informal caregiver by the individual in respect of the care recipient.

Second, the annual envelope at a person's disposal, for recognition purposes, in relation to each care recipient of whom the person is an informal caregiver for the year will be raised from $1,000 to $1,500.

[1] As defined for the purposes of the tax credit for a severe and prolonged impairment in mental or physical functions.

Illustration of the increase in the maximum amount of the refundable tax credit for volunteer respite provided to informal caregivers according to the number of hours of volunteer respite services (dollars)

	Current system	Enhanced system
Less than 200 hours	–	–
200 to less than 300 hours	–	250
300 to less than 400 hours	–	500
400 hours or more	500	750

Enhancement of the refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer

The refundable tax credit for the acquisition or rental of property intended to help seniors live independently longer will be enhanced, as of the 2018 taxation year.

This credit will be equal to 20% of the amount by which $250 is exceeded by the aggregate of all amounts paid in the year by an individual or by the person who is the individual's spouse at the time of payment, for the acquisition or rental, including installation costs, of qualified property intended for use in the individual's principal place of residence.

Thus, the following will also be qualified property for the purposes of the tax credit:

> alert systems for persons with hearing impairments;
> hearing aids;
> walkers;
> rollators;
> canes;
> crutches;
> non-motorized wheelchairs.

Broadening of the tax credit for persons living alone, in order to encourage intergenerational cohabitation

To recognize the support that seniors provide to their grandchildren or great-grandchildren of full age during their studies, the tax legislation will be amended to provide that, for a taxation year subsequent to 2017, an individual who ordinarily lives, throughout the year in a self-contained domestic establishment maintained by the individual and in which no person, other than the individual, a person under 18 years of age or an eligible student of whom the individual is either the father, mother, grandfather or grandmother, or the great-grandfather or great-grandmother, lived during the year may claim, for that year, the amount for persons living alone in the calculation of the tax credit.

The rules pertaining to the supplement for single-parent families remain unchanged. Consequently, only the father or mother of an eligible student may receive this supplement, provided the other conditions presently provided for in the tax legislation are met.

Enhancement of the refundable tax credit for childcare expenses

The limit applicable to childcare expenses paid in respect of a child with a severe and prolonged impairment in mental or physical functions and the limit applicable to childcare expenses paid in respect of a child who does not have such an impairment and who is under seven years of age at the end of a year will be $13,000 and $9,500, respectively, as of the 2018 taxation year.

The new annual limit of $13,000 will enable expenses paid at a daily rate of up to $50 for full-time childcare in respect of the child to be taken into account in the calculation of the tax credit.

Similarly, further to the increase in the annual limit, expenses paid for the purpose of providing full-time childcare services for a child under seven years of age at the end of the year, at a daily rate of up to $36.50, may be fully taken into account in the calculation of the tax credit.

The three annual limits on childcare expenses eligible for the purposes of the refundable tax credit for childcare expenses—$13,000, $9,500 and $5,000—will be automatically adjusted each year as of the 2019 taxation year.

Extension of the tax credit for a first major cultural gift

An individual may claim for a taxation year, in addition to the tax credit for gifts, a non-refundable tax credit corresponding to 25% of the amount of the individual's major cultural gift for the year. However, an individual may claim this non-refundable tax credit for only one major cultural gift.

A major cultural gift of an individual for a taxation year means the eligible amount of a gift of money, up to $25,000, made by the individual in the year or in any of the four preceding taxation years to an eligible cultural donee, if the eligible amount of the gift is at least $5,000.

The non-refundable tax credit for a first major cultural gift will be extended five years, i.e. until January 1, 2023.

Correlative amendments respecting the implementation of the Aim for Employment Program

The *Individual and Family Assistance Act* provides for various financial assistance programs, such as the Social Assistance Program, Social Solidarity Program and Youth Alternative Program.

As of April 1, 2018, the Youth Alternative Program will end and the Aim for Employment Program will be implemented.

Benefits received under the Aim for Employment Program will be taxable, like those received under the Social Assistance Program.

Due to the implementation of the Aim for Employment Program, amendments will be made to the tax legislation. Essentially, further to these amendments, the various rules currently applicable to benefits received under the Social Assistance Program will also apply to benefits received under the new Aim for Employment Program.

Change to the rates of the dividend tax credit

The rate of the dividend tax credit for eligible dividends, which is currently 11.9% of the dividend gross-up amount, will be reduced to 11.86% of the gross-up amount of a dividend received or deemed received after March 27, 2018 but before January 1, 2019. It will be reduced to 11.78% of the gross-up amount of a dividend received or deemed received in 2019, and to 11.7% of the gross-up amount of a dividend received or deemed received after December 31, 2019.

Similarly, the rate of the dividend tax credit for non-eligible dividends, which is currently 7.05% of the dividend gross-up amount, will be reduced to 6.28% of the gross-up amount of a dividend received or deemed received after March 27, 2018 but before January 1, 2019. It will be reduced to 5.55% of the gross-up amount of a dividend received or deemed received in 2019, to 4.77% of the gross-up amount of a dividend received or deemed received in 2020, and to 4.01% of the gross-up amount of a dividend received or deemed received after December 31, 2020.

MEASURES PERTAINING TO BUSINESSES

Gradual reduction of the Health Services Fund contribution rate for all small and medium-sized businesses

To provide tax relief to SMBs and foster their competitiveness, changes will be made to the calculation of the employer contribution to the Health Services Fund (HSF).

Table 1 found in appendix shows the impact of the gradual reduction of the HSF contribution rate for SMBs in the primary and manufacturing sectors.

Table 2 found in appendix shows the impact of the gradual reduction of the HSF contribution rate for SMBs in sectors other than the primary and manufacturing sectors.

Standardization of the tax rates for SMBs

To further ease the tax burden on SMBs in sectors other than the primary and manufacturing sectors, and thus standardize the tax rates applicable to SMBs, the SBD rate will be gradually raised so that the tax rate applicable to the portion of a corporation's income qualifying for the SBD reaches 4% in 2021. Consequently, the rate of the additional deduction for primary and manufacturing sectors SMBs will be gradually reduced and the additional deduction will be eliminated in 2021.

Increase in the SBD rate and correlative reduction of the rate of the additional deduction for SMBs in the primary and manufacturing sectors

The tax rates applicable to corporations that qualify for the full SBD and the full additional deduction for primary and manufacturing sectors

SMBs will be as shown in Table 3 found in appendix.

The announced changes to the SBD rates and to the rate of the additional deduction for SMBs in the primary and manufacturing sectors will apply to taxation years of a corporation that end after March 27, 2018.

Instalment payments

A corporation's instalment payments may be adjusted, as applicable, as of the first instalment that follows March 27, 2018.

Replacement of the additional capital cost allowance of 35% by an additional capital cost allowance of 60%

An additional allowance will replace the additional capital cost allowance of 35% introduced in March 2017. Accordingly, like the additional capital cost allowance of 35%, the additional capital cost allowance of 60% will be available for a two-year period and will apply to manufacturing or processing equipment and general-purpose electronic data processing equipment. The property in question must be new at the time of acquisition and be acquired after March 27, 2018 and before April 1, 2020.

Broadening the sectors of activity eligible for the tax holiday for large investment projects – digital platform development

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

The *Act respecting the sectoral parameters of certain fiscal measures* (hereinafter, "sectoral act") will be amended to add the development of eligible digital platforms to the sectors of activity that an investment project must involve in order to be recognized as a large investment project.

This change will apply to investment projects that begin to be carried out after March 27, 2018.

Enhancement of the refundable tax credit for on-the-job training periods

Aboriginal trainees

The basic rate of the refundable tax credit for on-the-job training periods is currently 24% for eligible employers that are corporations and 12% for eligible employers who are individuals.

The tax legislation will be amended so that an enhanced rate of 32% for corporations and 16% for individuals applies where an eligible employer makes a qualified expenditure in respect of an eligible trainee who is an Aboriginal person.

Moreover, the tax legislation will be amended to provide that the enhanced rates will be increased, where an eligible employer makes a qualified expenditure in respect of a trainee who is an Aboriginal person enrolled in an education program or a prescribed program, so as to raise:

> the enhanced rate of 32% to 50% for corporations;
> the enhanced rate of 16% to 25% for individuals.

An eligible employer may benefit from the enhanced rates of the tax credit in respect of a trainee who is an Aboriginal person enrolled in an education program or a prescribed program, for a taxation year, only if the eligible employer's qualified expenditure in respect of such a trainee is at least $2 500 for at least three consecutive taxation years or, in the case of a partnership, for at least three consecutive fiscal periods.

Increase in the weekly limit and the maximum hourly rate

Weekly limit

The tax legislation will be amended to raise the weekly qualified expenditure limits in respect of an eligible trainee who serves an eligible training period at any time in a taxation year or fiscal period, as the case may be, in an establishment of an eligible employer located in Québec.

These weekly limits will be raised as follows:

> $875 per week, where an eligible trainee is a trainee enrolled in a prescribed program, or the eligible trainee is a disabled person who is an apprentice trainee or a trainee enrolled in an education program;

> $1,225 per week, where an eligible trainee is a disabled person who is enrolled in a prescribed program;
> $700 per week, in the case of any other eligible trainee.

Maximum hourly rate

For the purpose of calculating the tax credit, the maximum hourly rates respecting the salaries or wages of an eligible trainee and of an eligible supervisor overseeing the eligible trainee as part of an eligible training period are $18 and $30, respectively.

The tax legislation will be amended to increase these hourly rates from $18 to $21 and from $30 to $35, respectively.

Increase respecting resource regions

The tax legislation will be amended so that an enhanced rate of 32% for corporations and 16% for individuals applies where an eligible employer makes a qualified expenditure in respect of an eligible trainee who serves an eligible training period in an establishment, of the eligible employer, located in an eligible region.

The tax legislation will also be amended to provide that the enhanced rates of the tax credit will be increased in respect of an eligible trainee enrolled in an education program or a prescribed program who serves an eligible training period, in an establishment, of an eligible employer, located in an eligible region, so as to raise:

> the enhanced rate of 32% to 50% for corporations;
> the enhanced rate of 16% to 25% for individuals.

Application date

These amendments will apply to qualified expenditures incurred after March 27, 2018 in respect of eligible training periods beginning after that day.

Introduction of a refundable tax credit to encourage qualifying training for workers employed in SMBs

A refundable tax credit will be introduced to encourage training for workers employed in SMBs.

This refundable tax credit will enable qualified corporations to receive tax assistance of up to $5,460 a year for each eligible employee who participates in eligible training.

This refundable tax credit will be intended for a qualified corporation or a corporation that is a member of a partnership, as applicable, that carries on an SMB whose payroll is less than $7 million.

It will apply to eligible training expenditures that the qualified corporation or the partnership, as applicable, incurs after March 27, 2018 and before January 1, 2023.

Qualified corporation

"Qualified corporation" will mean, for a taxation year, a corporation, other than an excluded corporation, that has an establishment in Québec and carries on a business in Québec.

Eligible employee

The employee must meet the following conditions for the year or fiscal period, as applicable:

> the employee holds full-time employment involving a minimum of 26 hours of work per week, for an expected minimum duration of 40 weeks;
> the employee's duties consist in undertaking or directly supervising activities of the qualified corporation or the partnership, as applicable, in an establishment, located in Québec, of the corporation or partnership.

Eligible training

"Eligible training" will mean training taken by an eligible employee during an eligible training period through a recognized educational institution.

Eligible training period

An eligible employee's total eligible training periods will be limited to 520 hours for a taxation year or the fiscal period, as applicable, and an eligible employee's weekly work schedule may not exceed 40 hours for the purpose of calculating the limit.

Eligible training expenditures

"Eligible training expenditures" of a qualified corporation or a partnership for a taxation year or a fiscal period, respectively, will mean wages calculated in accordance with the *Taxation Act* that the qualified corporation or the partnership incurs in respect of an eligible employee for the taxation year or fiscal period, as applicable, after March 27, 2018 and before January 1, 2023.

The wages must be attributable to an eligible training period and paid to an employee before the application for the refundable tax credit is filed.

In addition, eligible training expenditures will be limited to a maximum hourly rate of $35. If an eligible employee is not remunerated on an hourly basis, the employee's hourly rate will be deemed to correspond to the ratio between the employee's annualized wages and 2 080 hours.

Determination of the refundable tax credit

The refundable tax credit will correspond to an amount equal to 30% of eligible training expenditures that the qualified corporation or the partnership, as applicable, paid to an eligible employee for the taxation year or the fiscal period, where the total payroll of the qualified corporation or the partnership for the taxation year or the fiscal period, as applicable, does not exceed $5 million.

This 30% rate will be reduced linearly, where the total payroll exceeds $5 million, reaching zero if the total payroll of the qualified corporation or the partnership for the taxation year or the fiscal period, as applicable, reaches $7 million or more.

Introduction of a refundable tax credit to support the digital transformation of print media companies

To help safeguard Québec's print media and maintain their original written content on general-interest news geared specifically to the Québec public, a refundable tax credit will be temporarily introduced to support the start or continuation of the digital conversion of print media company business models.

This refundable tax credit will provide companies with tax assistance of up to $7 million annually in respect of expenditures they incur after March 27, 2018 and before January 1, 2023 for the purpose of the digital transformation of their print media activities.

Determination of the refundable tax credit

The refundable tax credit will correspond to an amount equal to 35% of the lesser of:

- the eligible digital conversion costs incurred by the corporation or the partnership for the taxation year or fiscal period, as the case may be; or
- the annual limit on eligible digital conversion costs applicable to a taxation year or fiscal period, as the case may be.

The annual limit on eligible digital conversion costs applicable to a taxation year or a fiscal period, as the case may be, will correspond to $20 million if the qualified corporation or qualified partnership, as the case may be, is not associated with any other qualified corporation or qualified partnership in the taxation year or fiscal period, as the case may be.

Change to the refundable tax credit for film dubbing

The refundable tax credit for film dubbing corresponds to an amount equal to 35% of a qualified film dubbing expenditure of a corporation for a taxation year.

However, a qualified film dubbing expenditure of a corporation for a taxation year is limited to an amount corresponding to 45% of the consideration paid to the corporation for the performance of the dubbing contract.

The tax legislation will be amended to remove this limit corresponding to 45% of the consideration paid to corporations for the performance of the dubbing contract.

This amendment will apply to a qualified film dubbing expenditure of a corporation for a taxation year that begins after March 27, 2018.

Changes to the refundable tax credit for Québec film or television production

Eligibility of online-only productions

To adapt the tax credit to the reality of online broadcasting and support the growth of Québec's film and television industry, the sectoral act will be amended to provide that, where a film's primary market is the online market:

> in the case of an eligible online video service of a supplier that is a television broadcaster, there must be an undertaking by the television broadcaster to make the film accessible in Québec on its eligible online video service;

> in the case of an eligible online video service of another supplier, there must be an undertaking by a holder of a general distributor's licence (hereinafter, "general distributor") to exploit the film in Québec, as well as an undertaking by the supplier of the eligible online video service, in regard to the general distributor, to make the film accessible in Québec on that eligible online video service.

Changes to the eligible classes of films

The sectoral act will be amended to provide that, in relation to these eligible classes of films, the minimum standard of "comprising at least 30 minutes of programming" can be broadened to include "20 minutes of audiovisual content."

Application date

These amendments will apply to a film or television production for which an application for an advance ruling, or an application for a qualification certificate if no application for an advance ruling was previously filed for the production, is filed with SODEC after March 27, 2018.

Change to the refundable film production services credit

The sectoral act will be amended so that a virtual reality documentary may comprise less than 30 minutes of programming or, in the case of a series, less than 30 minutes of programming per episode.

This amendment will apply to qualified productions for which an application for an approval certificate is filed with SODEC after March 27, 2018.

Change to the refundable tax credit for the production of multimedia events or environments presented outside Québec

A qualified corporation may, under certain conditions, claim a refundable tax credit equal to 35% of qualified labour expenditures it incurs to produce a qualified production. However, qualified labour expenditures for the purposes of this tax credit may not exceed 50% of production costs. The refundable tax credit is limited to $350,000.

The tax legislation will be amended to remove the $350,000 limit.

Extension of and changes to the refundable tax credit for the production of ethanol in Québec

The refundable tax credit for the production of ethanol in Québec will be extended for five years, i.e. until March 31, 2023. As of April 1, 2018, a fixed rate of $0.03 per litre will be used to calculate the tax credit.

The monthly ceiling on the production of ethanol will be raised as of April 1, 2018 so that, for a particular month beginning after March 31, 2018, it is equal to the product obtained by multiplying 821,917 litres by the number of days in the particular month.

Extension of and changes to the refundable tax credit for cellulosic ethanol production in Québec

The refundable tax credit for cellulosic ethanol production in Québec will be extended for five years. The terms for calculating the tax credit will be changed so that it is calculated at a fixed rate of $0.16 per litre as of April 1, 2018.

The monthly ceiling on the production of cellulosic ethanol will be raised as of April 1, 2018 so that, for a particular month beginning after March 31, 2018, it is equal to the product obtained by multiplying 821,917 litres by the number of days in the particular month.

Extension of and changes to the refundable tax credit for the production of biodiesel fuel in Québec

The refundable tax credit for biodiesel fuel production in Québec will be extended for five years. The terms for calculating the tax credit will be changed so that it will be calculated at a fixed rate of $0.14 per litre as of April 1, 2018.

The monthly ceiling on the production of biodiesel fuel will be raised as of April 1, 2018 so that, for a particular month beginning after March 31, 2018, it is equal to the product obtained by multiplying 821,917 litres by the number of days in the particular month.

Introduction of a temporary refundable tax credit for pyrolysis oil production in Québec

This refundable tax credit, at a rate of $0.08 per litre, will be granted to a qualified corporation in respect of eligible pyrolysis oil it produces in Québec from residual forest biomass, which is sold in and intended for Québec, up to 100 million litres per year. A qualified corporation will be able to claim this tax credit for a period of five years beginning on April 1, 2018.

Qualified corporations may claim the refundable tax credit for pyrolysis oil production in Québec for a taxation year that ends after March 31, 2018.

MEASURES PERTAINING TO COMMODITY TAXES

Measures relating to the Québec sales tax and e-commerce

Currently, there are no special rules under the QST system for online transactions. That being so, the general rules under the system apply to e-commerce.

Consequently, as in the case of supplies made according to the traditional transactional model, supplies of movable property or services made over the Internet are generally subject to the QST if the property or services are supplied for consumption in Québec (destination principle), regardless of whether the supplier is located in Québec, elsewhere in Canada or outside Canada.

However, suppliers that make supplies of taxable movable property or services over the Internet in Québec are generally required to register for the QST, for the purpose of collecting the tax and remitting it to Revenu Québec, only if they have a physical presence (permanent establishment) or a significant presence (carrying on of a business) in Québec.

The context of the digital economy poses application-related difficulties respecting the collection of the QST by suppliers with no physical or significant presence in Québec.

Implementation of a mandatory registration system for suppliers with no physical or significant presence in Québec

To ensure the QST is collected and remitted in the context of the digital economy, the Québec government is announcing the implementation of a new registration system under which:

> suppliers with no physical or significant presence in Québec will be required to collect and remit the QST on taxable incorporeal movable property and services they supply in Québec;

> suppliers with no physical or significant presence in Québec that are located in Canada will be required to collect and remit the QST on taxable corporeal movable property they supply in Québec.

Mandatory registration

The QST system will be changed to require suppliers with no physical or significant presence in Québec (hereinafter, “non-resident suppliers”) to register with Revenu Québec, under a new specified registration system, for the purpose of collecting and remitting the QST applicable to their taxable supplies of incorporeal movable property and services made in Québec to specified Québec consumers.

Moreover, in the case of non-resident suppliers located in Canada, this registration requirement will also apply to the collection and remittance of the QST applicable to their taxable supplies of corporeal movable property made in Québec to specified Québec consumers.

For this mandatory registration measure to apply to a non-resident supplier, the value of the considerations for all taxable supplies made by the supplier in Québec to persons that may reasonably be considered consumers, as defined under the existing QST system, must exceed a threshold of $30,000.

Digital property and services distribution platforms

The requirement to register under the new specified registration system will also apply to digital property and services distribution platforms (hereinafter, “digital platforms”) with respect to taxable supplies of incorporeal movable property or services received by specified Québec consumers, where these digital platforms control the key elements of transactions with specified Québec consumers, such as billing, transaction terms and conditions, and delivery terms.

Applicable concepts

Incorporeal movable property and services covered

In regard to the application of the specified registration system to non-resident suppliers, all taxable supplies of incorporeal movable property or services made by non-resident suppliers in Québec to specified Québec consumers will be covered.

Specified registration system

The sole purpose of the specified registration system is to ensure that non-resident suppliers collect and remit the QST applicable to their taxable supplies made in Québec to specified Québec consumers.

Thus, non-resident suppliers registered under the new specified registration system will not be registrants within the meaning of the other provisions of the QST system.

For example, non-resident suppliers that register under the specified registration system will not be able to claim an ITR in respect of property and services acquired in the course of their commercial activities.

Similarly, recipients registered under the general registration system who pay QST to a non-resident supplier registered under the specified registration system may not recover, by means of an ITR mechanism, the tax thus paid.

Specified Québec consumer

For the purposes of the specified registration system, “specified Québec consumer” will mean a person who is not registered for the QST and whose usual place of residence is located in Québec.

Application dates

The measures stemming from the implementation of the new specified registration system will apply as of:

> January 1, 2019, in the case of non-resident suppliers outside Canada, and in the case of digital platforms enabling such suppliers to make taxable supplies of incorporeal movable property or services in Québec to specified Québec consumers;

> September 1, 2019, in the case of non-resident suppliers located in Canada, and in the case of digital platforms enabling such suppliers to make taxable supplies of incorporeal movable property or services in Québec to specified Québec consumers.

OTHER MEASURES

Changes to various parameters of Capital régional et coopératif Desjardins

Conversion periods and conversion limit

To encourage shareholders to convert their shares, a non-refundable tax credit will be granted to them in respect of the conversion of shares in any of the conversion periods that begin on March 1, 2018, 2019 and 2020 and that end on the last day of February of the year following each of these years.

Introduction of a non-refundable tax credit in respect of the conversion of shares

An amendment will be made to the tax legislation so that an individual who acquires, after February 28, 2018, shares or fractional shares of the new class of capital stock of Capital régional et coopératif Desjardins in a conversion period beginning in a taxation year may deduct, in the calculation of the individual’s tax otherwise payable for that year, an amount equal to 10% of the value of the shares or fractional shares converted, up to $15,000.

This non-refundable tax credit, of up to $1,500, may be claimed by an individual who is resident in Québec at the end of December 31 of a taxation year in respect of which the individual converted the shares or fractional shares, and the individual must file an income tax return for that year and attach a copy of the prescribed form received in that regard from Capital régional et coopératif Desjardins.

However, an individual who requests the redemption of, or who purchases by agreement, shares or fractional shares of either the new or existing class of capital stock of Capital régional et coopératif Desjardins will no longer be eligible for the non-refundable tax credit.

Reduction of the non-refundable tax credit

In the context of the change to the capital stock of Capital régional et coopératif Desjardins, and of the additional exception to the maximum capitalization of the fund, the non-refundable tax credit in respect of the acquisition of shares of the existing class of capital stock of Capital régional et coopératif Desjardins will be reduced from 40% to 35% in respect of all shares acquired after February 28, 2018.

Temporary maintenance of the increased rate of the tax credit in respect of the acquisition of shares in Fondaction

The rate of the tax credit will be maintained at 20% for eligible shares acquired between June 1, 2018 and May 31, 2021.

Subjecting food trucks and trailers to mandatory billing via sales recording modules

In the interest of fairness towards owners of established restaurants and to prevent unfair competition, food trucks and trailers will be subject to mandatory billing via a sales recording module (SRM).

As such, food trucks and trailers will have to:

> give customers a bill;
> produce this bill using an SRM.

Legislative amendments in this regard will be necessary. The goal is to implement this measure for the 2019 summer season.

To support food truck and trailer owners who will be required to use SRMs, the government will bring in a subsidy program to fund the acquisition, installation and updates to the equipment that are required for its installation.

Temporary increase in the refundable tax credit for holders of a taxi driver's permit

To provide financial support to taxi drivers, a temporary increase in the refundable tax credit for holders of a taxi driver's permit will be introduced for taxation years 2017 and 2018.

This increase will be a maximum amount of $500.

Reviewing Revenu Québec's voluntary disclosure program

The Québec government has announced that it will review the current voluntary disclosure program in order to take into account:

> recent developments in the exchange of information between Canada and other jurisdictions;
> changes made by the federal government to Canada Revenue Agency's Voluntary Disclosures Program.

Consultations regarding changes to the parameters of Québec's program will be carried out with Revenu Québec in 2018-2019.

FEDERAL LEGISLATION AND REGULATIONS

Harmonization with News Release 2017-124 of the Department of Finance Canada

On December 13, 2017, the Department of Finance Canada released draft legislative proposals to amend the *Income Tax* Act and the *Income Tax Regulations*, in particular to improve the treatment of income sprinkling.

Given that the Québec tax system is harmonized with the federal tax system regarding the tax on split income, the Québec tax legislation will be amended to incorporate these legislative proposals, with adaptations on the basis of its general principles.

The Department of Finance Canada also released legislative proposals to introduce a reporting requirement with respect to a trust's tax account number and bring in requirements for tax slips applicable to partnerships and trusts. These legislative proposals will also be retained. The Minister of Revenue will therefore be able to require a trust account number, within the meaning of the federal tax legislation, to be provided.

The legislative proposals pertaining to the credit with respect to age, the GST/HST credit, the Canada Child Benefit, the working income tax benefit, the tax on old age security benefits and the unauthorized communication of an identification number will not be retained, since the Québec tax system does not contain analogous provisions or is satisfactory.

These changes will apply on the same dates as those retained for the purposes of the legislative proposals with which they are harmonized.

Harmonization with certain measures announced in the federal budget of February 27, 2018

The measures presented in the 2018 Federal Budget bear on, among other things, international taxation. Thus, the federal tax legislation and regulations will be amended to add detailed comprehensive "look-through" rules to the provisions on cross-border anti-surplus stripping using partnerships and trusts (BR 28 to BR 30), amend certain rules governing foreign affiliates (BR 31) and extend the reassessment period, where the reassessment relates to the adjustment of a loss carry-back and is made as a consequence of a transaction involving a taxpayer and a non-resident person with whom the taxpayer does not deal at arm's length (BR 35).

Amendments were also announced to prevent taxpayers from sustaining artificial losses using equity-based financial arrangements (BR 22 and BR 23) and in relation to the stop-loss rule on share repurchase transactions (BR 24 and BR 25).

Québec tax legislation and regulations will be amended to incorporate these measures, with adaptations on the basis of their general principles.

These changes will apply on the same dates as those retained for the purposes of the federal measures with which they harmonize.

Moreover, the measure on sharing information for criminal matters and that on information return requirements for foreign affiliates will not been retained, because they do not correspond to features of Québec's tax system.

Lastly, the Ministère des Finances du Québec will make known at a later date its position on the other fiscal measures announced at the time the federal budget of February 27, 2018 was tabled.

APPENDIX

TABLE 1

Illustration of the impact of the gradual reduction of the HSF contribution rate for SMBs in the primary and manufacturing sectors (per cent)

	Total payroll								
	1M$ or less	**2M$**	**3M$**	**4M$**	**5M$**	**5.5M$**	**6M$**	**6.5M$**	**7M$**
Until March 27, 2018									
Current rates	1.50	2.19	2.88	3.57	4.26	4.26	4.26	4.26	4.26
After March 27, 2018									
Rate for 2018	1.45	2.15	2.86	3.56	4.26	4.26	4.26	4.26	4.26
Rate for 2019	1.40	2.04	2.67	3.31	3.94	4.26	4.26	4.26	4.26
Rate for 2020	1.35	1.93	2.51	3.10	3.68	3.97	4.26	4.26	4.26
Rate for 2021	1.30	1.84	2.38	2.91	3.45	3.72	3.99	4.26	4.26
Rate for 2022	1.25	1.75	2.25	2.76	3.26	3.51	3.76	4.01	4.26

Note: An employer in the primary or manufacturing sector whose total payroll exceeds $5 million for 2018, or the total payroll threshold applicable for a year after 2018, is not an eligible specified employer. The employer is therefore not eligible for a reduction of the HSF contribution rate.

TABLE 2

Illustration of the impact of the gradual reduction of the HSF contribution rate for SMBs in sectors other than the primary and manufacturing sectors (per cent)

	Total payroll								
	1M$ or less	**2M$**	**3M$**	**4M$**	**5M$**	**5.5M$**	**6M$**	**6.5M$**	**7M$**
Until March 27, 2018									
Current rates	2.30	2.79	3.28	3.77	4.26	4.26	4.26	4.26	4.26
After March 27, 2018									
Rate for 2018	1.95	2.53	3.11	3.68	4.26	4.26	4.26	4.26	4.26
Rate for 2019	1.80	2.35	2.89	3.44	3.99	4.26	4.26	4.26	4.26
Rate for 2020	1.75	2.25	2.75	3.26	3.76	4.01	4.26	4.26	4.26
Rate for 2021	1.70	2.17	2.63	3.10	3.56	3.79	4.03	4.26	4.26
Rate for 2022	1.65	2.09	2.52	2.96	3.39	3.61	3.83	4.04	4.26

TABLE 3

Minimum tax rate applicable to income eligible for the SBD (per cent)

	Applicable rate				
	From January 1, 2018 to March 27, 2018	**From March 28, 2018 to December 31, 2018**	**From January 1 to December 31, 2019**	**From January 1 to December 31, 2020**	**As of January 1, 2021**
General tax rate	11.7	11.7	11.6	11.5	11.5
Maximum SBD rate(1)	–3.7	–4.7	–5.6	–6.5	–7.5
SMB's tax rate	8.0	7.0	6.0	5.0	4.0
Additional maximum deduction for primary and manufacturing sectors SMBs(2)	–4.0	–3.0	–2.0	–1.0	—
TOTAL	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**

(1) This rate is reduced linearly, where the number of remunerated hours of the corporation's employees is less than 5,500 hours but more than 5,000 hours, or where the proportion of the corporation's primary and manufacturing sectors activities is between 25% and 50%.

(2) This rate is reduced linearly, where the proportion of the corporation's primary and manufacturing sectors activities is between 25% and 50%.

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