



TaxNewsFlash

Canada

Highlights of the 2021-2022 Quebec Fall Economic Update

November 25, 2021

No. 2021-58

Quebec Finance Minister Eric Girard delivered the province's 2021-2022 Fall Economic Update on November 25, 2021 alongside a 14-page information bulletin of related fiscal measures. The update announces changes to tackle the current labor shortages and includes measures to alleviate the increased cost of living.

The update does not contain any corporate or personal tax rate changes. However, it announces the introduction of a one-time lump-sum financial assistance payment for certain individuals. It also enhances the refundable tax credit for senior assistance, amends the refundable tax credit for childcare expenses and adjusts the exemptions allowed for purposes of calculating the premium payable to the public prescription drug insurance plan.

The Finance Minister anticipates a deficit of \$3.5 billion for 2021-2022 before its deposits in the Generations Fund of \$3.3 billion, resulting in a budgetary balance before use of the stabilization reserve of \$6.8 billion. The government expects the budget balance to be restored for the 2027-2028 fiscal year.

Context

The economic update was presented in a pandemic context where the rise in the cost of living and labor shortage are two important issues. The update provides for additional initiatives of \$10.7 billion over the next five years to address these challenges.

Personal tax changes

Implementation of the refundable tax credit granting an exceptional allowance

The update announces that individuals eligible for the refundable solidarity tax credit during the payment period beginning July 1, 2021 and ending June 30, 2022 will receive a one-time lump-sum financial assistance payment.

This one-time tax assistance will not be reduced according to family income, unlike the refundable solidarity tax credit.

An individual who is eligible for the refundable tax credit granting an exceptional allowance will receive the amount of the one-time tax assistance as of January 24, 2022, without having to apply for it.

Enhancement of the refundable tax credit for senior assistance

The update announces that the maximum amount of the refundable tax credit for senior assistance will be increased to \$400 (from \$209), beginning in the 2021 taxation year.

Changes to the refundable tax credit for childcare expenses

The update proposes several changes to the refundable tax credit for childcare expenses.

First, the credit rates will be enhanced. The maximum rate applicable to qualified childcare expenses increases to 78% (from 75%) when an individual's family income does not exceed \$21,000, and the minimum rate for qualified childcare expenses increases to 67% (from 26%) where family income exceeds \$101,490.

The update also announces that the limits applicable to child care expenses paid in respect of a child who is under seven years of age at the end of a year, or in respect of a child with a severe and prolonged impairment in mental or physical functions, will be increased.

These changes will apply as of the 2021 taxation year.

Additionally, the update states that the tax legislation and the tax regulations will be amended so that any individual, other than a trust, who provides child care services in Quebec for remuneration will have to file an RL-24 slip with the Minister of Revenue and send a copy to the payers so that they can claim the refundable tax credit for child care expenses.

Public Prescription Drug Insurance Plan

Adults registered with the Régie de l'assurance maladie du Québec (RAMQ) must make a contribution towards the payment of the cost of pharmaceutical services and drugs supplied to them whenever a prescription is filled and renewed. This contribution, which

may not exceed a maximum amount, consists of a deductible amount and a coinsurance payment.

However, adults whose income consists essentially of social assistance benefits based on an examination of resources, needs or income are exempted from the payment of any contribution.

The update increases the threshold of the minimum income under which an individual would be exempt from paying premiums under Quebec's Public Prescription Drug Insurance Plan. In 2021, the maximum premium payable is \$686 per adult.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Quebec update on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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