

TAX & BUSINESS

Quebec Budget 2019-2020

The Quebec Minister of Finance, Eric Girard, today tabled the Government of Quebec’s Budget—*Your Priorities Your Budget*—in the National Assembly. The budget is expected to show a surplus of \$2.5 billion in 2018-19 and projects another balanced budget for fiscal year 2019-2020 and the subsequent four years to be achieved without using the stabilization reserve.

The following is a summary of the tax highlights.

INDIVIDUALS

Tax credit for experienced workers

The tax system grants workers aged 61 or over, a tax credit that allows them to eliminate the income tax payable on a portion of their eligible work income that exceeds the first \$5,000. As of the 2019 taxation year, the *tax credit for experienced workers* will be renamed the *tax credit for career extension*.

CHANGES AS OF THE 2019 TAXATION YEAR

The age of eligibility for the tax credit will be lowered to 60

For workers aged 61 to 64, the maximum amount of eligible work income on which the tax credit is calculated will be raised to \$10 000

BUSINESSES

Refundable tax credit for SMBs to foster the retention of experienced workers

The refundable tax credit will be granted to qualified corporations that employ individuals aged 60 or over.

It will be calculated on the employer contributions paid by the corporation in respect of such an employee.

The rate of the refundable tax credit will vary based, firstly, on the individual's age and, secondly, the corporation's total payroll. Thus, in respect of an employee aged at least 60 but no older than 64, the

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tax credit that can be claimed by a qualified corporation with a total payroll of \$1 million or less, on the employer contributions paid in respect of such an employee, will be calculated at a rate of 50% and can total as much as \$1,250 annually. In respect of an employee aged at least 65, the tax credit such a corporation can claim on employer contributions paid in respect of such an employee will be calculated at a rate of 75% and can total as much as \$1,875 annually.

A qualified corporation that is a member of a qualified partnership can also claim this refundable tax credit at a rate of up to 50% on its share of the employer contributions paid by the qualified partnership in respect of an employee aged at least 60 but no older than 64, and at a rate of up to 75% on its share of the employer contributions paid by the qualified partnership in respect of an employee aged at least 65.

DETERMINATION OF THE REFUNDABLE TAX CREDIT

A qualified corporation can claim a refundable tax credit corresponding to the aggregate of the following amounts:

- the product obtained by multiplying, by the corporation's eligible rate of the tax credit for the taxation year, the aggregate of the amounts each of which is the corporation's qualified expenditure in respect of an eligible employee for the taxation year;
- the product obtained by multiplying, by the corporation's specified rate of the tax credit for the taxation year, the aggregate of the amounts each of which is the corporation's specified expenditure for a specified employee for the taxation year.

Likewise, a qualified corporation, for a taxation year, that is a member of a qualified partnership at the end of a fiscal period of the partnership that ends in the taxation year, will be able to claim a refundable tax credit corresponding to the aggregate of the following amounts:

- the product obtained by multiplying, by the partnership's eligible rate of the tax credit for the fiscal period ended in the taxation year, the aggregate of the amounts each of which is the corporation's share of the qualified expenditure of the partnership in respect of an eligible employee for that fiscal period;
- the product obtained by multiplying, by the partnership's specified rate of the tax credit for the fiscal period ended in the taxation year, the aggregate of the amounts each of which is the corporation's share of the specified expenditure of the partnership in respect of a specified employee for that fiscal period.

QUALIFIED CORPORATION

For the purposes of the refundable tax credit, a qualified corporation, for a taxation year, will mean

- a corporation, other than an excluded corporation, that has an establishment in Québec and carries on a business there,
- whose paid-up capital, for the year, is less than \$15 million and,
- except where the corporation is a primary and manufacturing sectors corporation for the year, whose total remunerated hours, for the year, exceeds 5 000.

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EXCLUDED CORPORATION

An excluded corporation, for a taxation year, will mean:

- a corporation exempt from tax for the taxation year;
- a Crown corporation or a wholly-controlled subsidiary of such a corporation.

QUALIFIED PARTNERSHIP

A qualified partnership will mean

- a partnership that has an establishment in Québec, that carries on a business there and
- whose paid-up capital, for the fiscal period, is less than \$15 million.

Also, the number of remunerated hours of the partnership's employees must, for the fiscal period, exceed 5 000, except in the case of a partnership that would have been a primary and manufacturing sectors corporation, for the fiscal period, if it had been a corporation.

EMPLOYER CONTRIBUTIONS

The employer contributions paid by a qualified corporation or qualified partnership, for a calendar year, in respect of an employee will mean the amounts paid by the corporation or partnership, as applicable, for that calendar year in respect of that employee under the following provisions:

- section 59 of the Act respecting parental insurance;
- section 39.0.2 of the Act respecting labour standards;
- section 34 of the Act respecting the Régie de l'assurance maladie du Québec;
- section 52 of the Act respecting the Québec Pension Plan.

An employer contribution paid by a qualified corporation or qualified partnership, for a calendar year, in respect of an employee, will also mean an amount paid for that calendar year as an assessment by the qualified corporation or qualified partnership in respect of the employee under the Act respecting industrial accidents and occupational diseases

ELIGIBLE EMPLOYEE AND SPECIFIED EMPLOYEE

An eligible employee of a qualified corporation, or of a qualified partnership, for a fiscal period, will mean, respectively, an employee of the corporation at a time in the calendar year that ended in the taxation year, or of the partnership at a time in the calendar year that ended in the fiscal period, who is aged 65 or over on January 1 of the calendar year, other than an employee who is an excluded employee at a time in the calendar year.

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A specified employee of a qualified corporation, or of a qualified partnership, for a fiscal period, will mean, respectively, an employee of the corporation at a time in the calendar year that ended in the taxation year, or of the partnership at a time in the calendar year that ended in the fiscal period, who is aged 60 or over but no older than 64 on January 1 of the calendar year, other than an employee who is an excluded employee at a time in the calendar year.

EXCLUDED EMPLOYEE

An excluded employee, at a particular time, will mean:

- where the employer is a corporation, an employee who is, at that time, a specified shareholder of the corporation or, where the corporation is a cooperative, a specified member of the corporation;
- where the employer is a partnership, an employee who is, at that time, either a member of that partnership or a person not dealing at arm's length with that member, or a specified shareholder or specified member, as applicable, of the member.

A specified member, at a particular time, of a corporation that is a cooperative will mean a member having, directly or indirectly, at that time, at least 10% of the votes at a meeting of the members of the cooperative or a person not dealing at arm's length with that member.

APPLICATION DATE

These amendments will be applicable in respect of a taxation year that ends after December 31, 2018

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Readers are reminded that while budget proposals are customarily given the effect of law immediately, the amending legislation, when ultimately adopted by the National Assembly, may be altered to some degree.

OTHER MEASURES

APPLICATION OF THE TAX ON LODGING TO THE ACTIVITIES OF PERSONS OPERATING A DIGITAL PLATFORM OFFERING ACCOMMODATION UNITS

Currently, a person operating a digital accommodation platform may register voluntarily in the tax on lodging system.

Changes will be made to the tax on lodging system so that a person operating a digital accommodation platform will henceforth be required to register with Revenu Québec for the purposes of collecting and remitting the tax on lodging.

A person so registered will be required, in respect of any accommodation unit covered by the system rented in a sleeping-accommodation establishment located in a participating tourist region, hereinafter called "particular accommodation unit," to collect or pre-collect the 3.5% tax on the price of every overnight stay, render an account of it and remit it in accordance with the existing terms and conditions under the tax on lodging system, where such a unit is supplied through the person's digital accommodation platform and is billed at a time when the person's registration is in effect.

These changes will apply from the first day of the first calendar quarter beginning at least 180 days after the date on which the bill implementing these measures is assented to.

CHANGES TO CERTAIN MEASURES RESPECTING TIPS

Currently employees that receive tips in the course of their duties are required to report the amount to their employer in writing, except for tips that constitute service charges added to a customer's bill.

Also, employers are required to pay various charges in respect of tips reported, tips included in service charges added to a customer's bill and tips attributed, and they must take these tips into account in calculating certain indemnities they are required, under certain laws or under a collective agreement, to pay to their employees.

In order to partially offset the additional charges that employers in the restaurant and hotel sector must bear in respect of such tips, the tax system grants them a refundable tax credit.

To take into account the new indemnities provided for in the *Act respecting labour standards* the tax legislation will be amended to provide that the eligible expenses for the refundable tax credit for the reporting of tips will include the portion of the indemnities for days of leave to fulfill family obligations or days of leave for health reasons that is attributable to tips and that was paid in the taxation year or fiscal period, as applicable.

These amendments will apply to indemnities for days of leave to fulfill family obligations or for days of leave for health reasons paid after December 31, 2018.

tax & business ALERT has been prepared by **LEVI & LEVI, LLP** for the general information of our clients, staff and other interested parties.

The enclosed comments are of a general nature and are not intended to cover all aspects of the subject matter. Prior to implementing any planning based upon information in this publication, the specific facts pertaining to any particular situation should be carefully considered. We will be pleased to assist in this regard and to provide further details pertaining to the matters discussed herein.

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Attention Snowbirds

Under IRS rules, you may be required to file IRS form 8840 - Closer Connection Exception Statement for Aliens if you meet the substantial presence test for 2018 .

Consult our newsletter "***Tax Rules and Guidelines for Canadians Travelling to the U.S. and Abroad***" which can be found on our website.

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Wills & Living Wills

Do you have a current will?

Advice should be sought on how the family wealth should be dealt with in an unfortunate circumstance. Proper planning can minimize the tax burden on death.

Equally as important is the Living Will or Mandate of an individual who may become incapacitated without notice or warning. To minimize the strain on your family at a difficult time, a Living Will can prove to be an invaluable solution.

Do you have children who are US citizens or residents?

Alert Dates

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March 15, 2019	First instalment due for individuals required to make income tax instalments
March 31, 2019	Deadline for filing 2019 Non-Resident Tax Withholding (NR4) & Statement of Trust Income Allocations & Designations (T3).
April 30, 2019	Deadline for filing personal income tax returns other than those permitted to file by June 15.
June 15, 2019	Second instalment due for individuals required to make income tax instalments. Filing date for individuals reporting business income including professional income and their spouses.
September 15, 2019	Third instalment due for individuals required to make income tax instalments.

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