Québec budget 2024-2025: Tax credits increased for filmings, adjusted for IT jobs

March 25, 2024

On March 12, 2024, Minister of Finance Éric Girard unveiled the budget for the 2024-25 fiscal year. This year's budget focuses on funding health and education services, and it emphasizes the goal of optimizing government action in the current economic climate. We noted the following tax measures.

Measures relating to individuals

Elimination of the retirement pension reduction (QPP) as of age 65

Effective Jan. 1, 2024, a person eligible for a disability pension who reaches the age of 60 can apply for their retirement pension, which is reduced based on the number of months the pension is received prior to turning 65. When this person reaches 65, they stop receiving the disability pension, but they continue to receive a reduced retirement pension for the rest of their life.

The Legault government announced that, as of Jan. 1, 2025, the retirement pension reduction will be completely eliminated for seniors with disabilities reaching the age of 65. This will enhance the pension offered by up to $5,895 per year, including the previous enhancement announced in Budget 2021-2022.

Considering the impact on the plan's financial leeway, the government does not intend to enhance the Québec Pension Plan (QPP) further between now and the next public consultation in 2029.

Changes relating to the supplements for handicapped children under the refundable tax credit granting an allowance to families

The purpose of the refundable tax credit granting an allowance to families (Family Allowance) is to help families meet the needs of their children under 18 years of age. This Family Allowance has three main components: a basic amount, a supplement for handicapped children (SHC), and a supplement for handicapped children requiring exceptional care (SHCREC).

To better meet the needs of families, the government plans to simplify and update the eligibility and assessment criteria for the SHC to ensure they are more readily understandable for parents and reflect medical advancements made in recent years.

In addition, the government proposes to modify the eligibility criteria for the SHCREC so that certain severely disabled children under age 2 who are currently ineligible can benefit from it.

These modifications will apply as of July 1, 2024.

Measures relating to businesses

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

Currently, this tax credit provides support, ranging from 28 per cent to 66 per cent, applicable to labour expenditures that do not exceed 50 per cent of the costs directly attributable to a film production. To encourage Québec's film and television industry, the government plans to raise the ceiling on labour expenditures from 50 per cent to 65 per cent of production costs. This change will apply in respect of a Québec film production for which an application for an advance ruling is filed with the SODEC after March 12, 2024, or an application for a certificate if no advance ruling was previously submitted.

Changes to tax credits supporting jobs in the information technology (IT) sector

The tax credit for the development of e-business (TCED), the tax credit for multimedia titles (CTMM), and the tax credit for film production services (CSPC) are three salary-based credits that were introduced to support employment in the IT sector at a time where the unemployment rate was high in Québec. Given the current labour shortage and the growth in IT sector jobs in Québec, the government has chosen to adjust these tax credits in order to reduce the rate of growth of their cost, and adapt them to the current economic context.

Gradual harmonization of the TCED and CTMM base rates

The TCEB is aimed at computer systems development and software publishing businesses, while the CTMM mainly targets businesses in the video game sector. These credits apply to employees in the same IT labour pool, but the level of support provided differs depending on the tax credit. In an effort to improve fairness and optimize the impact in the support provided to businesses through the TCEB and CTMM, the government announced a plan to harmonize the level of refundability in the base rates of these tax credits:

1. The non-refundable portion of the TCEB, which currently amounts to 6 per cent, will increase by 1 per cent per year until 2028, up to 10 per cent.
2. A non-refundable portion will be introduced for the CTMM, which will increase by 2.5 per cent per year until 2028, up to 10 per cent as well.

3. The CTMM's 7.5 per cent refundable premium for titles available in French will remain in place.

These amendments will come into force in 2025.

a) Refocusing tax assistance to the IT sector on the highest value-added jobs

The government has announced the elimination of the salary cap per employee under the TCEB ($83,333) and CTMM ($100,000) and the introduction of an exclusion threshold equal to the basic personal amount[1]. As such, the TCEB and CTMM will be calculated on the amount corresponding to the excess of the qualified wages and the qualified labour expenditure over the basic personal amount for the taxation year. This adjustment will ensure that the effective rate of the TCEB and CTMM will increase rather than decrease, based on an employee's salary. These amendments will come into force in 2025.

b) Amending the CSPC

To help attract foreign film and television shoots to Québec, the government announced an increase in the base rate of the CSPC, from 20 per cent to 25 per cent of all the costs of a production corresponding to the total cost of eligible labour and goods. However, only 65 per cent of the total cost of visual effects and animation contracts granted in Québec will now be considered an eligible expense under the CSPC. This 65 per cent portion of eligible expenditures will apply to both the base rate, increased to 25 per cent, and the 16 per cent enhancement for visual effects and animation. These changes will apply in respect of a qualified production for which an application for an approval certificate will be submitted to the SODEC (i) after March 12, 2024, if the SODEC deems that work on that production was not sufficiently advanced as of March 12, 2024, or (ii) after May 31, 2024, in all other cases.

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

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.

For the purposes of these tax credits in Québec, the term "government assistance" will include the value of the compliance units granted to a corporation under the *Clean Fuels Regulations* (where certain conditions are met) but only from a corporate taxation year that begins after Dec. 31, 2027.

Abolishing the tax credit for businesses to foster the retention of experienced workers (CMETE)

In summary, the CMETE was established to encourage the participation of experienced workers in the labour market. It is available for eligible businesses employing an

individual who is 60 years of age or older, and calculated on the Québec employer contributions paid in respect of such an employee. In the context of labour shortages and following the reduction in QPP contributions for workers aged 65 and over, the government announced the elimination of the CMETE effective March 13, 2024.

Other tax measures

Reducing Roulez Vert program rebates

Since 2012, to begin the electrification of the vehicle fleet in Québec, the government has been granting rebates for the purchase of fully electric and plug-in hybrid vehicles under the Roulez Vert program.

Considering that the electric vehicle market is maturing, the Legault government announced that the maximum rebates for the purchase of an electric vehicle will be as follows starting on Jan. 1, 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 Jan. 1, 2027. Electric vehicles will continue to be eligible for the $5,000 federal government's rebate until March 31, 2025, or until the funds run out.

Tax increases on tobacco products

Smoking accounts for annual health costs and is responsible for the deaths of thousands of people annually. In order to optimize revenue from this tax, the government announced two increases to the tax on tobacco products. The tax will increase from $37.80 to $39.80 per carton of 200 cigarettes starting March 13, 2024, before increasing to $41.80 starting Jan. 6, 2025.

Conclusion

In short, the budget presented by the government of Québec on March 12 does not include major changes to personal and corporate taxation. It does, however, include a number of changes to the government incentives in place to support the information technology and film sectors, in order to adapt them to the current economic context. The government plans to restore fiscal balance by 2029-2030 at the latest.

[1] This amount is $18,056 in 2024 and is indexed annually in the personal income tax system.

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