

Fiscal measure announced in the *Update on Québec's Economic and Financial Situation* and adjustments to other measures

This information bulletin makes public the details of the optimization of the tax credit for career extension announced by the Minister of Finance in the fall 2024 *Update on Québec's Economic and Financial Situation*.

It also provides additional details on certain capital gains tax measures to take into account some Québec particularities.

Moreover, it announces the adjustments that will be made to the Québec tax legislation in order to adjust the exemptions allowed to establish the threshold at which a premium is payable under the Public Prescription Drug Insurance Plan for the year 2024.

To obtain information on the matters dealt with in this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus et des politiques locales et autochtones at secteurdudroitfiscaletdelafiscalite@finances.gouv.qc.ca.

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1. Optimizing the tax credit for career extension

To encourage experienced workers to remain in or re-enter the labour market, the tax system grants older individuals aged 60 or over the tax credit for career extension (hereinafter referred to as the “tax credit”) that allows them to reduce the income tax payable on a portion of their eligible work income that exceeds the first \$5 000.

Briefly, for the purposes of this tax credit, an individual’s eligible work income for a year is the remuneration included in the calculation of the individual’s income for the year from any office or employment, the amount by which the individual’s income for the year from any business the individual carries on either alone or as a partner actively engaged in the business exceeds the individual’s losses for the year from such businesses, and the grants received by the individual in the year to carry on research or any similar work.

Also, since it is directed primarily toward persons who may be influenced by such an incentive to remain in or re-enter the labour market, the tax credit was made reducible based on work income for 2016 and subsequent years. However, a grandfathering rule was introduced for workers who were aged 65 or over in 2015, that is, individuals born before January 1, 1951. For these individuals, the tax credit may not be lower than the credit that would be determined in their respect if the maximum amount of eligible work income had remained the same as in 2015 and the tax credit were not reducible based on work income.

To increase the presence of experienced workers in the labour market, various changes have been made to the tax credit in recent years.¹ Essentially, these changes enhanced the tax credit either by lowering the age of eligibility or by increasing the maximum amount of eligible work income on which the tax credit was calculated.

However, the labour market and the behaviour of workers aged 60 or over have changed since the tax credit was introduced in 2012.

Accordingly, in order to adapt the tax credit to the new labour market context and improve its effectiveness, the government is announcing several changes to the tax credit.

¹ MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2015-2016 – Additional Information 2015-2016*, March 26, 2015, pp. A.6-A.12; *The Québec Economic Plan – Additional Information 2016-2017*, March 17, 2016, pp. A.24-A.27; *The Québec Economic Plan – Additional Information 2018-2019*, March 27, 2018, pp. A.22-A.27; *Budget 2019-2020 – Additional Information*, March 21, 2019, pp. A.3-A.5.

As such, starting in the 2025 taxation year, the changes to the tax credit will be as follows:

- the age of eligibility will be raised from 60 to 65 years;
- the amount of the exclusion of the first dollars of eligible work income will increase from \$5 000 to \$7 500 and will be indexed as of the 2026 taxation year;
- the maximum amount of eligible work income on which the tax credit is calculated will be increased from \$11 000 to \$12 500 and will be indexed as of the 2026 taxation year;
- the amount of the reduction threshold will be increased from \$40 925 to \$56 500 and will be indexed as of the 2026 taxation year;
- the reduction will now be based on net individual income;²
- the applicable reduction rate will be raised from 5% to 7%;
- the grandfathering rule applicable to workers born before January 1, 1951, will be abolished.

The following table shows the main parameters of the tax credit.

TABLE 1

Main parameters of the tax credit for career extension

(dollars, unless otherwise indicated)

	2024 taxation year	2025 and subsequent taxation years
Maximum amount of eligible work income		
– 60 to 64 years	10 000	—
– 65 years or over	11 000	12 500 ⁽¹⁾
Exclusion of the first dollars of eligible work income		
	5 000	7 500 ⁽¹⁾
Reduction		
– Income considered for the reduction	Eligible work income	Net individual income
– Reduction threshold	40 925	56 500 ⁽¹⁾
– Reduction rate	5%	7%

(1) This amount will be automatically indexed each year as of the 2026 taxation year.

² Net income entered on line 275 of the TP-1-V tax return.

❑ Formula applicable as of the 2025 taxation year

The tax legislation will be amended to provide that an individual who is resident in Québec at the end of a particular taxation year subsequent to 2024—or, if the individual dies in a particular year subsequent to 2024, on the date of his or her death—may deduct, in calculating his or her income tax otherwise payable for that particular year on account of the tax credit, an amount equal to the amount determined using the following formula:

$$(A \times B) - (0.07 \times C)$$

For the purposes of this formula:

- the letter A represents the rate applicable for the particular taxation year to the first taxable income bracket of the personal income tax table;
- the letter B represents:
 - if the individual is aged 65 or over at the end of the particular year or, if he or she dies in the year, on the date of the individual's death, the amount by which the individual's eligible work income for the year attributable to that year exceeds \$7 500,³ to a maximum of \$12 500,³
 - in all other cases, zero;
- the letter C represents the amount by which the person's net individual income⁴ for the particular taxation year exceeds \$56 500.⁵

❑ Terms of application in the event of bankruptcy

Under the tax legislation, when an individual becomes bankrupt in a calendar year, the individual is deemed to have two taxation years in that calendar year: the first runs from January 1 to the day before the date of bankruptcy (pre-bankruptcy taxation year) and the second, from the date of bankruptcy to December 31 (post-bankruptcy taxation year).

For the purposes of calculating the tax credit for the pre-bankruptcy taxation year subsequent to 2024, the maximum amount of eligible work income that would otherwise have been applicable (i.e., \$12 500 for the 2025 taxation year) must be replaced by an amount equal to the proportion of that maximum amount represented by the ratio between the number of days in the pre-bankruptcy taxation year and the number of days in the calendar year. Likewise, the reduction threshold that would otherwise have been applicable must be replaced by an amount equal to the proportion of that threshold represented by the ratio between the number of days in the pre-bankruptcy taxation year and the number of days in the calendar year.

³ This amount will be automatically indexed each year, as of the 2026 taxation year.

⁴ Net income entered on line 275 of the TP-1-V tax return.

⁵ See note 3.

As for the amount of the tax credit that may be deducted by an individual for the post-bankruptcy taxation year subsequent to 2024, it must be determined in accordance with the following rules:

- the maximum amount of eligible work income that would otherwise have been applicable (i.e., \$12 500 for the 2025 taxation year) must be replaced by an amount equal to the proportion of that maximum amount represented by the ratio between the number of days in the post-bankruptcy taxation year and the number of days in the calendar year;
- the amount used to exclude the first dollars of work income eligible for the tax credit that would otherwise have been applicable (i.e., \$7 500 for the 2025 taxation year) must be replaced by an amount equal to the amount by which said amount exceeds the individual's eligible work income for the pre-bankruptcy taxation year;
- the specified amount of the reduction threshold that would otherwise have been applicable (i.e., the threshold of \$56 500 for the 2025 taxation year) must be replaced by an amount equal to the proportion of that threshold represented by the ratio between the number of days in the post-bankruptcy taxation year and the number of days in the calendar year.

In addition, for the purposes of calculating letter B of the formula, where an individual reaches the age of 65 in a calendar year subsequent to 2024 and in which the individual becomes bankrupt, the individual will be deemed to have been 65 throughout the calendar year.

□ Indexation of certain amounts as of the 2026 taxation year

As of the 2026 taxation year, the following amounts, for the purposes of calculating the tax credit, will be automatically indexed each year:

- the amount of the exclusion of the first dollars of eligible work income of \$7 500;
- the maximum amount of eligible work income of \$12 500;
- the amount of the reduction threshold of \$56 500.

The index to be used for these adjustments will correspond to the percentage change in the overall average Québec consumer price index without alcoholic beverages, tobacco products and recreational cannabis (QCPI-WATC) for the 12-month period ending on September 30 of the year preceding the one for which an amount is to be adjusted, compared to the average QCPI-WATC for the 12-month period ending on September 30 of the year preceding the one for which the amount is to be adjusted.

This index will be applied, for a particular year, to the previous year's value of the amount subject to indexation. For greater clarity, where the result obtained by applying the index is not a multiple of 5, it will be adjusted to the nearest multiple of 5 or, if it is equidistant from two multiples of 5, to the nearest higher multiple of 5.

2. Additional details on certain tax measures relating to capital gains

On April 16, 2024, the Minister of Finance of Canada presented the federal government's budget for the year 2024. On that occasion, the federal government announced changes to several tax measures relating to capital gains.⁶

On April 18, 2024, the Ministère des Finances du Québec announced its intention to notably amend Québec's tax legislation and regulations to incorporate the measures relating to the increase in the lifetime capital gains exemption, the introduction of the Canadian Entrepreneurs' Incentive and the increase in the capital gains inclusion rate.⁷

In *Information Bulletin 2024-6*⁸ and *Information Bulletin 2024-7*,⁹ the Ministère des Finances du Québec then clarified its position regarding the stock option deduction and the exercise of certain elections.

The Ministère des Finances du Québec now wishes to announce additional details concerning certain tax measures relating to capital gains to take into account some Québec particularities.

□ Mechanisms applicable to the disposition by a non-resident of certain taxable Québec property

Québec tax legislation provides for mechanisms to ensure payment of the tax due when a non-resident realizes a capital gain on the disposition of certain taxable Québec property.¹⁰

The rate applicable to these mechanisms is based on the maximum marginal personal tax rate applicable to capital gains. To reflect the new capital gains inclusion rate, Québec tax legislation will be amended so that the 12.875% rate provided for these mechanisms is increased to 17.167%.

This change will apply to a proposed or completed disposition occurring after December 31, 2024.

⁶ DEPARTMENT OF FINANCE CANADA, *Budget 2024 – Tax Measures: Supplementary Information*, [Online], April 16, 2024, [<https://budget.canada.ca/2024/report-rapport/tm-mf-en.html>].

⁷ MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2024-5*, April 18, 2024.

⁸ Id., *Information Bulletin 2024-6*, May 31, 2024, pp. 1-3.

⁹ Id., *Information Bulletin 2024-7*, June 21, 2024, p. 10.

¹⁰ These mechanisms are provided for under Title III of Part II of the *Taxation Act*.

❑ Rule applicable to the acquisition of a specified immovable held by an inter vivos trust

Briefly, where a person acquires from an inter vivos trust a property that is a specified immovable that the trust is deemed, under paragraph b.1) of section 785.1 of the *Taxation Act*, to have disposed of in a taxation year, because the trust became resident in Canada, Québec tax legislation provides various rules to ensure payment of the tax payable following this deemed disposition.¹¹

Under these rules, the purchaser shall pay, on behalf of the trust, an amount equal to 12.875% of the purchase price of the property¹² as or on account of tax payable by the trust for the year. This rate is based on the maximum marginal personal tax rate applicable to capital gains. To reflect the new capital gains inclusion rate, Québec tax legislation will be amended so that the 12.875% rate is increased to 17.167%.

This change will apply to an acquisition made after December 31, 2024.

❑ Additional capital gains exemption in respect of certain resource properties

Briefly, an individual (other than a trust) may deduct, in computing taxable income for a taxation year, an amount as an additional capital gains exemption on the disposition of certain resource properties. The amount of this exemption claimed by an individual, for a taxation year, may not exceed the lesser of certain amounts, notably the eligible taxable capital gain amount of the individual for the year and an amount calculated on the basis of the balance of the individual's historical account of exploration expenses incurred in Québec at the end of the year.¹³

To take into account the increase from one half to two thirds of the capital gains inclusion rate on the portion of capital gains realized in a given year that exceeds \$250 000 for individuals, for capital gains realized starting June 25, 2024, Québec tax legislation will be amended so that the rules for calculating the eligible taxable capital gain amount of an individual for a taxation year as well as the amount calculated on the basis of the balance of the individual's historical account of exploration expenses incurred in Québec at the end of the year reflect this new inclusion rate.

In addition, as the amount deducted under this exemption could be excessive if it relates to capital gains that were effectively included at a rate of 50% due to the reduction of an individual's taxable capital gains, an adjustment in the calculation of taxable income will be provided to account for any excessive deductions.

¹¹ These rules are provided for in Chapter I of Title I.1 of Book VI of Part I of the *Taxation Act*.

¹² This payment does not apply if the purchaser meets one of the conditions set out in the legislation.

¹³ These rules are provided for under Title VI.5.1 of Book IV of Part I of the *Taxation Act*.

These amendments will apply as of the 2024 taxation year. For the year 2024, transitional rules will be provided for calculating the amount an individual can claim as a deduction in correlation to the transitional rules applicable to the measures relating to the increase in the capital gains inclusion rate and the increase in the lifetime capital gains exemption.

3. Adjustment of the exemptions allowed for the purpose of calculating the premium payable under the Public Prescription Drug Insurance Plan

The basic prescription drug insurance plan established by the Québec government guarantees all Quebecers fair access to the medications required by their state of health. Coverage under this plan is provided either by the Régie de l'assurance maladie du Québec (RAMQ), as the administrator of the Public Prescription Drug Insurance Plan (PPDIP), or by insurers transacting group insurance or by administrators of private-sector employee benefit plans.

As a general rule, the RAMQ provides, on the one hand, coverage for individuals who are not required to become members of a group insurance contract, an individual insurance contract concluded on the basis of one or more of the distinctive characteristics of group insurance,¹⁴ or an employee benefit plan applicable to a determined group of persons and, on the other hand, coverage for those persons whom no one is required to cover.

Adults registered with the RAMQ must make a contribution towards the payment of the cost of pharmaceutical services and drugs supplied to them whenever a prescription is filled or renewed. This contribution, which may not exceed a maximum amount, consists of a deductible amount¹⁵ and a coinsurance payment.¹⁶

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. This exemption, which targets the most disadvantaged persons, is geared more specifically to certain persons eligible for a financial assistance program stipulated in the *Individual and Family Insurance Act*,¹⁷ as well as persons aged 65 or over receiving 94% or more of the maximum amount of the monthly Guaranteed Income Supplement under the *Old Age Security Act*,¹⁸ determined without taking into account the amount that may be added to the amount of the supplement since July 2011.

¹⁴ The individual insurance contract must be covered by section 42.2 of the *Act respecting prescription drug insurance* (CQLR, chapter A-29.01).

¹⁵ The deductible amount is the portion of the cost of pharmaceutical services and prescription drugs borne entirely by the person covered by the plan during the reference period. Since July 1, 2024, the deductible amount is \$264 per year, divided into equal monthly amounts.

¹⁶ The coinsurance payment is the portion of the cost of pharmaceutical services and medications borne by the person covered by the plan until the maximum contribution is reached. Since July 1, 2024, the coinsurance percentage is 32%.

¹⁷ CQLR, chapter A-13.1.1.

¹⁸ R.S.C. 1985, c. O-9.

Adults who are not covered throughout a year by a group insurance contract, an individual insurance contract concluded on the basis of one or more of the distinctive characteristics of group insurance or by an employee benefit plan applicable to a determined group of persons must generally pay a premium for that year to finance the PPDIP. For information purposes, for the 2024 calendar year, the maximum premium payable is \$737.50 per adult.

However, most adults who are exempted from the payment of any contribution for the cost of the pharmaceutical services and drugs provided to them under the PPDIP are also exempted from payment of the premium.

Moreover, to reflect a household’s ability to pay, the annual premium payable by an adult is determined on the basis of family income, from which an exemption amount based on the household’s composition is subtracted.¹⁹

Since the introduction of the PPDIP, the amount of these exemptions has been adjusted annually to protect household purchasing power. In addition, to ensure the progressivity of the premium, two contribution rates are applicable. The first rate²⁰ applies to the first \$5 000 of income covered, and the second rate,²¹ to the portion exceeding \$5 000.

Accordingly, to maintain the principles underlying the determination of the amount of the premium payable under the PPDIP, the government will adjust, for 2024, the amount of each of the exemptions currently allowed.

The following table shows the amount of each of the allowable exemptions for 2024, according to household composition.

TABLE 2

Amount of the exemptions allowed for the purpose of calculating the premium payable under the PPDIP for 2024
(dollars)

Household composition	Amount of the exemption
1 adult, no children	19 500
1 adult, 1 child	31 610
1 adult, 2 or more children	35 715
2 adults, no children	31 610
2 adults, 1 child	35 715
2 adults, 2 or more children	39 505

¹⁹ The amount that must be applied to reduce family income makes it possible to exempt from payment of the premium adults whose family income is below a certain threshold.

²⁰ For 2024, the first contribution rate is 7.65%, in the case of a single person, and 3.84% in the case of a person living as a couple.

²¹ For 2024, the second contribution rate is 11.48%, in the case of a single person, and 5.75%, in the case of a person living as a couple.