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Finances Québec

INFORMATION BULLETIN

November 25, 2025 2025-8

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

This information bulletin announces, for the year 2026, a reduction in the base contribution rate to the Québec Pension Plan as well as an additional reduction in contribution rates to the Québec Parental Insurance Plan.

It also presents a new temporary contribution holiday to the Health Services Fund for the years 2026 and 2027 to support the agriculture, forestry and fishing sectors.

This information bulletin makes also public the position of the Ministère des Finances regarding various tax measures included in the Department of Finance Canada's 2025 budget.

In addition, it announces the extension and adjustment of the refundable tax credit for Gaspésie and certain maritime regions of Québec, as well as the new extension of the income-averaging mechanism for certified forest producers.

This bulletin also presents an adjustment to the refundable tax credit relating to mining or other resources.

Lastly, it provides information on the adjustment to the exemptions allowed for the purpose of calculating the premium payable under the Public Prescription Drug Insurance Plan.

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.

The English and French versions of this bulletin are available on the Ministère des Finances website, at www.finances.gouv.qc.ca.

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

1. Reduction in the base contribution rate to the Québec Pension Plan for 2026

The Québec Pension Plan (QPP) is a public plan designed to partially replace, in the event of retirement, disability or death of a worker, the income from their work. This compulsory plan covers almost all workers.

By providing benefits based on the pensionable earnings registered in the name of each worker covered, up to a maximum, this plan provides workers and their families with basic financial protection. As such, the QPP plays a crucial role in Quebecers' financial security. In addition to guaranteeing them a basic retirement income, it provides support, in particular in the event of disability.

The QPP is funded by the contributions that employees, employers, self-employed workers, intermediate resources and family-type resources are required to pay.

Since 2019, the QPP has been composed of the base plan and the additional plan. Consequently, these plans are funded by base contributions and additional contributions, respectively.[1]

The contribution rate for the base plan of the QPP is 10.8% for 2025, that is, in accordance with the rule stipulated in the *Act respecting the Québec Pension Plan* (the QPP Act), which rule takes into account the most recent steady-state contribution rate published by Retraite Québec on September 1 of the year preceding the application.[2]

According to the current provisions of the QPP Act, the 2025 base contribution rate would remain the same for the year 2026, since the most recent steady-state contribution rate published by Retraite Québec in the *Gazette officielle du Québec*[3] is 10.54%, which does not exceed by at least 0.1% the base contribution rate planned for the year 2026.

However, on November 13, 2025, Retraite Québec released its most recent actuarial valuation of the QPP, dated December 31, 2024, which sets the new steady-state contribution rate at 10.47%.[4] This results in a consequential financial leeway reaching 0.33 percentage points in the plan.

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1 Since 2019, an initial additional contribution is added to the base plan of the QPP. Since 2024, a second additional contribution is also added to the base plan, targeting workers whose salary or pensionable earnings are higher than the maximum pensionable earnings.

2 *Act respecting the Québec Pension Plan*, CQLR, chapter R-9, s. 44.1. According to the rule set out in this section, the base contribution rate of the QPP remains the same as the rate for the preceding year, unless, on 1 September of the preceding year, the most recent steady-state contribution rate published by Retraite Québec in the *Gazette officielle du Québec* exceeds the stated base contribution rate for the year by at least 0.1%; in that case, the base contribution rate for the year will be equal to the rate obtained by adding 0.1% to the base contribution rate of the preceding year. However, the Government may provide that the base contribution rate remain the same as the rate for the preceding year.

3 Notice from Retraite Québec, (2024) 156 G.O.Q. I, 118, [Online], [https://www.publicationsduquebec.gouv.qc.ca/fileadmin/gazette/pdf_encrypte/avis_juridiques/2407.pdf].

4 RETRAITE QUÉBEC, *Évaluation actuarielle du Régime de rentes du Québec au 31 décembre 2024*, [Online], [https://www.retraitequebec.gouv.qc.ca/fr/publications/nos-programmes/regime-de-rentes-du-quebec/evaluation-actuarielle/Pages/evaluation-actuarielle.aspx].

Given the QPP's sound financial health, the government wishes to take action to ensure that Québec workers and employers benefit from it quickly, despite the rule for setting the base contribution rate set out in section 44.1 of the QPP Act.

As a result, as part of the fall 2025 update, the government is announcing that it is suspending, for the year 2026, the application of the rule for setting the base contribution rate provided for in section 44.1 of the QPP Act in order to apply a 0.20-percentage-point reduction to the QPP base contribution rate for the year 2026. In other words, section 44.1 of the QPP Act will be amended to set the QPP base contribution rate for the year 2026 at 10.6%.

This reduction in the base contribution rate for 2026 will be shared equally between employees and their employers, so that the base contribution rate applicable to employees will be set at 5.3%. In addition, given that the Act stipulates that an employer must pay contributions equal to those that each of its employees is required to pay under section 50 of the QPP Act, the 5.3% rate will also benefit employers for the year 2026.[5]

The table below illustrates the reduction in the base contribution rate applicable to workers and employers for the year 2026.

TABLE 1

Reduction in the Québec Pension Plan base contribution rate – 2026
(per cent, unless otherwise indicated)

	Rates for 2025	Rates for 2026	Difference (percentage points)
Employee's share	5.4	5.3	−0.1
Employer's share	5.4	5.3	−0.1
TOTAL – Base contribution rate	**10.8**	**10.6**	**−0.2**
Self-employed worker(1),(2)	10.8	10.6	−0.2

(1) Under the QPP, a self-employed worker pays a contribution equivalent to that paid by an employee and their employer. In other words, a self-employed worker pays both the employee's and the employer's share.
(2) The base contribution rate applicable to self-employed workers also applies to intermediate resources and family-type resources.

For greater clarity, unless other changes to the QPP are announced during the coming year, the rule for setting the base contribution rate provided for in section 44.1 of the QPP Act will continue to apply, as worded, for determining this rate for the year 2027.

5 Section 63 of the QPP Act stipulates that on the dates, for the periods and according to the conditions prescribed in section 1015 of the *Taxation Act*, every employer must pay to the Minister of Revenue an amount equal to the amount the employer was required to deduct, together with an amount in respect of each employee, equal to the prescribed amount referred to in section 59, as or on account of the contributions referred to in section 52 that the employer is required to pay in respect of that employee.

2. Reduction in Québec Parental Insurance Plan premium rates for 2026

In force since January 1, 2006, the Québec Parental Insurance Plan (QPIP) enables workers to better reconcile work and family responsibilities when welcoming a newborn or an adopted child. It provides benefits to anyone taking maternity, paternity, parental or adoption leave, as long as they meet the eligibility conditions, including being subject to premiums and residing in Québec at the start of their benefit period.

The QPIP is an employment income replacement plan. It is funded exclusively by premiums paid by employees and their employer, self-employed workers, intermediate resources and family-type resources. These premiums are deposited into the Parental Insurance Fund, which is a trust fund. Therefore, any funds paid into it must be used to pay benefits and administrative expenditures.

The Conseil de gestion de l'assurance parentale (CGAP) is the entity responsible for funding the QPIP and administering the Parental Insurance Fund as trustee. Under the *Act respecting parental insurance*, the CGAP is also responsible for setting QPIP premium rates by regulation.[6] CGAP regulations are subject to approval by the government, which may approve them with or without amendment.[7]

In May 2025, the CGAP adopted the *Regulation to amend the Regulation respecting premium rates under the parental insurance plan*, which established the reduction in QPIP premium rates. This regulation, which formalized an 8% reduction in QPIP premium rates effective January 1, 2026, was approved without amendment and published in the *Gazette officielle du Québec* on September 10, 2025.[8]

However, according to the most recent QPIP actuarial projections, it appears that surpluses will persist in the years ahead. Given these circumstances, after consultation with the CGAP, the government considers that, while maintaining the financial health of the plan, it is appropriate to take an additional step to ensure that Quebecer workers and employers can quickly benefit from these surpluses.

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6 CQLR, c. A-29.011, s. 6.

7 Ibid., s. 88.

8 O.C. 1130-2025 concerning the *Regulation to amend the Regulation respecting premium rates under the parental insurance plan*, (2025) 157 G.O.Q. II, 5158, [Online], [https://www.publicationsduquebec.gouv.qc.ca/fileadmin/gazette/pdf_encrypte/lois_reglements/2025A/107650.pdf].

Therefore, the government is announcing that it will give more money back to workers and employers by further reducing QPIP premium rates applicable as of January 1, 2026. To that end, a new regulation amending the *Regulation respecting premium rates* will be enacted to formalize a total reduction of 13% in the QPIP premium rates applicable as of January 1, 2026, compared to those in effect in 2025.[9]

The newly reduced QPIP premium rates applicable for 2026 will be as follows:

— 0.430% for employees and individuals covered by section 51 of the *Act respecting parental insurance*;

— 0.602% for employers;

— 0.764% for self-employed workers, intermediate resources and family-type resources.

The table below illustrates the comparison between QPIP premium rates for 2025 and those being announced for 2026 in this information bulletin accompanying the *Update on Québec's Economic and Financial Situation – Fall 2025*.

TABLE 2

Reduction in Québec Parental Insurance Plan premium rates
(per cent, unless otherwise indicated)

			Rate differential	
	Rates for 2025	**Rates for 2026**	**Percentage points**	**Per cent**
Employee premium rate(1)	0.494	0.430	−0.064	13
Employer premium rate	0.692	0.602	−0.090	13
Total	**1.186**	**1.032**	**−0.154**	**13**
Self-employed worker premium rate(2)	0.878	0.764	−0.114	13

(1) The employee contribution rate is also applicable to individuals referred to in section 51 of the *Act respecting parental insurance*. Such individuals reside in Québec at the end of the year but work in an establishment of their employer located in Canada outside Québec, or, if they are not required to report for work at an establishment of their employer, are paid by such an establishment in Canada outside Québec. Individuals covered by section 51 of the *Act respecting parental insurance* must pay their premiums when they file their Québec income tax return.
(2) The self-employed worker contribution rate is also applicable to intermediate resources and family-type resources.

9 On this matter, see the *Act respecting the implementation of certain provisions of the Budget Speech of 25 March 2025 and amending other provisions*, S.Q. 2025, c. 32 (Bill 4, assented to on November 12, 2025), section 218, which introduces section 78.1 of the *Act respecting parental insurance*.

3. Temporary contribution holiday to the Health Services Fund to support the agriculture, forestry and fishing sectors

The agriculture, forestry and fishing sectors are currently facing major challenges that impact their competitiveness.

Indeed, not only are businesses in these sectors faced with the imposition of tariffs, but they now have to deal with the federal government's abandonment of the carbon tax, which took effect on April 1, 2025.[10] Because of these factors, which are creating uncertainty, many jobs are likely to be at risk in these sectors.

In this context, a temporary two-year contribution holiday to the Health Services Fund (HSF) will be introduced to provide rapid financial assistance to employers in the agriculture, forestry and fishing sectors, thereby reducing their tax burden and supporting jobs in these sectors. As a result, certain employers in the agriculture, forestry and fishing sectors will be completely exempted from paying HSF contributions for the years 2026 and 2027.

❑ Current rules

Under the *Act respecting the Régie de l'assurance maladie du Québec*,[11] an employer[12] shall pay a contribution to the HSF in respect of the wages that the employer pays to the employer's employee who reports for work at the employer's establishment in Québec, that the employer is deemed to pay to the employee or that the employer pays in respect of the employee, or to the employer's employee to whom those wages, if the employee is not required to report for work at an establishment of the employer, are paid, deemed to be paid or paid in respect of the employee from such an establishment in Québec.

Currently, the contribution payable for a year to the HSF must be calculated using a rate of 4.26%.

This contribution rate is reduced when the employer is a specified employer for the year and its total payroll[13] is below the threshold of $7.8 million.

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10 DEPARTMENT OF FINANCE CANADA, *Removing the consumer carbon price, effective April 1, 2025*, *Backgrounder*, March 22, 2025, [Online], [https://www.canada.ca/en/department-finance/news/2025/03/removing-the-consumer-carbon-price-effective-april-1-2025.html].

11 CQLR, chapter R-5.

12 For the purposes of employer contributions to the HSF, a partnership may be considered an employer in the same manner as a legal person or an individual.

13 The term "total payroll" is defined in the first paragraph of section 33 of the *Act respecting the Régie de l'assurance maladie du Québec*. Essentially, an employer's total payroll for a year means the aggregate of the wages paid or deemed to be paid in the year by the employer and by any other employer with which the employer is associated at the end of the year and that carries on at that time a business in which the employer ordinarily employs, for all or part of the year, at least one employee, whether full-time or part-time.

Briefly, a specified employer for a year is an employer that has an establishment in Québec during the year and that is not the State, nor the government of another province or of Canada, or an employer that, at a particular time in the year, is:

— a mandatory body of the State, the government of another province or the Government of Canada;

— a municipality or a mandatory body of a municipality;

— a municipal or public body performing a function of government or a mandatory body of such a municipal or public body;

— a corporation, commission or association exempt from tax under section 985 of the *Taxation Act*.

The reduced HSF contribution rates apply in favour of specified employers carrying on small- or medium-sized businesses (SMBs) in the primary and manufacturing sectors,[14] provided they qualify as eligible specified employers,[15] as well as the services and construction sectors.

Accordingly, an eligible specified employer in the primary and manufacturing sectors with total payroll for the year equal to or less than $1 million benefits from a contribution rate of 1.25%, while a specified employer in the services and construction sectors with total payroll equal to or less than $1 million benefits from a contribution rate of 1.65%.

As for a specified employer—eligible or not—with total payroll for the year exceeding $1 million, they also benefit from a gradual reduction of their contribution rate, provided total payroll does not exceed $7.8 million.

❑ Rules applicable to the new temporary HSF contribution holiday for certain employers in the agriculture, forestry and fishing sectors

To implement the new temporary HSF contribution holiday for certain employers in the agriculture, forestry and fishing sectors, amendments will have to be made to Québec tax legislation to ensure that no HSF contributions will be payable by employers in these sectors who qualify as "exempt specified employers" for 2026 and 2027, regardless of their total payroll.

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14 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2014-11*, December 2, 2014, pp. 3-6; Id., *The Québec Economic Plan – Additional Information 2018-2019*, March 27, 2018, pp. A.49-A.60, Id., *Information Bulletin 2018-7*, August 15, 2018, pp. 11-20.

15 An "eligible specified employer" for a year means a specified employer whose total payroll for the year is both less than the employer's total payroll threshold for the year and attributable, in a proportion of more than 50%, to activities in the agriculture, forestry, fishing and hunting sectors; the mining, quarrying and oil and gas extraction sectors; or the manufacturing sector, that are included in the groups described under codes 11, 21 and 31 to 33 of the North American Industry Classification System (NAICS).

Thus, the *Act respecting the Régie de l'assurance maladie du Québec* will be amended so that no HSF contributions will be payable by an "exempt specified employer" for the years 2026 and 2027.

■ Exempt specified employer

An "exempt specified employer," for the years 2026 and 2027, will mean any specified employer whose total payroll, for these years, will be attributable, in a proportion of more than 50%, to activities represented by one of the North American Industry Classification System (NAICS) codes described in the table below.

TABLE 3

North American Industry Classification System (NAICS) codes applicable to the temporary contribution holiday to the Health Services Fund – Years 2026 and 2027

NAICS codes(1)	Employer's activities
111	Crop production
112	Animal production and aquaculture
113	Forestry and logging
1141	Fishing
321111	Sawmills (except shingle and shake mills)
32211	Pulp mills

(1) The structure of NAICS is hierarchical. It is composed of five levels.
- level 1: sectors (two-digit codes);
- level 2: subsectors (three-digit codes);
- level 3: industry groups (four-digit codes);
- level 4: industries (five-digit codes);
- level 5: Canadian industries (six-digit codes).

■ Periodic payments of the HSF contribution

As a general rule, every employer subject to a contribution referred to in section 34 of the *Act respecting the Régie de l'assurance maladie du Québec* in relation to wages that the employer pays or is deemed to pay in a particular year shall pay to the Minister of Revenue on the dates, for the periods and according to the terms and conditions prescribed in section 1015 of the *Taxation Act*, an amount equal to the contribution established in respect of such wages pursuant to section 34.

Since no contribution under section 34 of the A*ct respecting the Régie de l'assurance maladie du Québec* will be payable by an "exempt specified employer" for the years 2026 and 2027, no periodic payment of the HSF contribution will be required during these two years.

❑ Rule applicable to "eligible specified employers" and "exempt specified employers"

Since 2015, small- and medium-sized businesses (SMBs) in the primary and manufacturing sectors have benefited from a reduced rate scale for the purposes of calculating HSF contributions. This scale applies to any employer who, for a given year, is an "eligible specified employer."[16]

In addition, just like an "eligible specified employer," an "exempt specified employer" will have to meet the condition that its total payroll for the year must be attributable, in a proportion of 50%, to activities represented by specific NAICS codes.

Since the introduction of the "eligible specified employer" concept in 2015, Revenu Québec has applied it taking into account certain principles to ensure that employers' main activities are attributable to the primary and manufacturing sectors, and that the remuneration paid to their employees can therefore be considered attributable to activities in these sectors. The application of the new concept of "exempt specified employer" should therefore take into account the same principles, by making the necessary adjustments.

Thus, the *Act respecting the Régie de l'assurance maladie du Québec* will be amended to specify, in the definitions of "eligible specified employer" and "exempt specified employer," that the employers' main activities must be respectively those included in the sectors identified in the NAICS codes, or represented by one of these codes, related to each of these definitions.

The amendments to the definition of "eligible specified employer" will apply on a declaratory basis, that is, as of the introduction of this definition in the *Act respecting the Régie de l'assurance maladie du Québec*. However, it will not apply to cases pending on the day of publication of this information bulletin, nor to notices of objection served on the Minister no later than 10 a.m. on the day of publication of this information bulletin, where the dispute concerns the determination of the employer's principal activities.

❑ HSF contribution rules for individuals

In summary, the *Act respecting the Régie de l'assurance maladie du Québec* stipulates that every individual resident in Québec at the end of a given year shall pay a contribution to the HSF on their total income for the year if it exceeds a certain threshold.[17] This contribution, which is adjusted based on total income, can be as high as $1 000.[18]

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16 See previous note.

17 For 2026, the applicable threshold is $18 500.

18 If the individual's total income for 2026 does not exceed $64 355, the contribution payable for the year will be equal to the lesser of $150 and 1% of the amount by which their total income for the year exceeds $18 500. Otherwise, the individual's contribution for the year will be equal to the lesser of $1 000 and the aggregate of $150 and 1% of the amount by which their total income for the year exceeds $64 355.

However, certain types of income are excluded from the contribution base. This is the case for most employment income and certain government payments, such as Old Age Security pensions and amounts paid as a Guaranteed Income Supplement or Spouse's Allowance under federal legislation.

To take into account the fact that many individuals have income from farming, forestry or fishing, the *Act respecting the Régie de l'assurance maladie du Québec* will be amended to allow an individual with income from these sectors to deduct, in calculating their total income for a given year, namely 2026 or 2027, for the purposes of their HSF contribution, an amount equal to their net business income from these sectors.

For greater clarity, the same NAICS codes listed above for "exempt specified employers" will be used to calculate the HSF contribution for individuals[19].

4. Harmonization with various tax measures announced in the federal budget of November 4, 2025

On November 4, 2025, the Minister of Finance of Canada presented the federal government's 2025 budget. On that occasion, he tabled, in the House of Commons, supplementary information describing each of the tax measures proposed in the budget, as well as Notices of Ways and Means Motions proposing amendments to the related federal tax legislation and regulations.[20]

On November 14, 2025, the Ministère des Finances du Québec announced its position on two measures in the 2025 federal budget. The first measure relates to income tax, and more specifically concerns trusts and the 21-year rule.[21] The second measure relates to the goods and services tax and the harmonized sales tax (GST/HST), and concerns the repeal of an outdated reference that applied to osteopathic doctors in the exemption provisions for health care services.

The Ministère des Finances du Québec wishes to now make public its position on the harmonization of Québec tax legislation and regulations with federal tax legislation and regulations with regard to other income tax measures proposed in the 2025 federal budget.

19 These are the codes described in the above Table 3.

20 DEPARTMENT OF FINANCE CANADA, *Budget 2025 – Tax Measures: Supplementary Information*, [Online], November 4, 2025, [https://budget.canada.ca/2025/report-rapport/tm-mf-en.html].

21 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2025-7*, November 14, 2025.

❑ Measure relating to income tax

Québec tax legislation and regulations will be amended to incorporate some of the income tax measures proposed in the 2025 federal budget. However, the amendments to the Québec tax system will be adopted only after the assent of any federal legislation or the adoption of any federal regulation giving effect to the retained measures, taking into account the technical amendments that may be made prior to the assent or adoption. For greater clarity, these amendments will be applicable on the same dates as the federal measures with which they are harmonized.

■ Measures retained

Québec tax legislation and regulations will be amended[22] to incorporate, with adaptations on the basis of their general principles, the measures relating to:

1. qualified investments for registered plans, with the exception of budget resolutions 10(1) and 13(4) on this subject;
2. immediate expensing for manufacturing and processing buildings;
3. patronage dividends paid in shares by agricultural cooperatives;
4. eligible activities under the Canadian Exploration Expense;
5. transfer pricing, with respect to transfer pricing application standards;
6. investment income derived from assets supporting Canadian insurance risks.

▪ Harmonization with the cancellation of the increase in the capital gains inclusion rate and the cancellation of the Canadian Entrepreneur Incentive

On April 16, 2024, when tabling its 2024 budget,[23] the federal government announced changes to several capital gains tax measures.

On April 18, 2024, the Ministère des Finances du Québec announced its intention to harmonize Québec's tax legislation and regulations to incorporate measures relating to the increase in the capital gains inclusion rate, the increase in the lifetime capital gains exemption and the introduction of the Canadian Entrepreneur Incentive.[24] Clarifications were subsequently provided concerning the stock option deduction, certain particularities of the Québec regime and exercising tax elections.[25]

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22 Some of the measures retained, however, may not require any changes to Québec's tax legislation or regulations.

23 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].

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

25 Id., *Information Bulletin 2024-6*, May 31, 2024, pp. 1-3; Id., *Information Bulletin 2024-7*, June 21, 2024, p. 10; Id., *Information Bulletin 2024-9*, November 21, 2024, pp. 7-9.

On January 31, 2025, Canada's Minister of Finance announced, in a press release,[26] his intention to defer implementation of the increase in the capital gains inclusion rate until January 1, 2026, while maintaining the implementation date for the increase in the lifetime capital gains exemption and the introduction of the Canadian Entrepreneur Incentive. On February 3, 2025, the Ministère des Finances du Québec announced its intention to harmonize Québec tax legislation and regulations with this deferral and related measures.[27]

On March 21, 2025, the Prime Minister of Canada announced, in a press release,[28] the federal government's intention to cancel the increase in the capital gains inclusion rate while maintaining the increase in the lifetime capital gains exemption.

On November 4, 2025, when presenting its 2025 budget, the federal government confirmed that the increase in the capital gains inclusion rate had been cancelled and that the increase in the lifetime capital gains exemption had been maintained. He also clarified that the cancellation of the increase in the capital gains inclusion rate included the cancellation of the Canadian Entrepreneur Incentive.[29]

The Ministère des Finances du Québec wishes to now announce its intention to harmonize Québec's tax legislation and regulations with the cancellation of the increase in the capital gains inclusion rate, which includes the cancellation of the Canadian Entrepreneurs' Incentive, while maintaining the increase in the lifetime capital gains exemption.

For greater clarity, this cancellation will also apply to Québec-specific particularities for which additional details have been provided in information bulletins.[30]

■ Measures not retained

Certain measures have not been retained because they do not correspond to the characteristics of the Québec tax system or because the latter is satisfactory or does not contain similar provisions. These measures relate to:

- the personal support workers tax credit;
- automatic federal benefits for lower-income individuals;
- the top-up tax credit;

26 DEPARTMENT OF FINANCE CANADA, *Government of Canada announces deferral in implementation of change to capital gains inclusion rate*, [Online], January 31, 2025, [https://www.canada.ca/en/department-finance/news/2025/01/government-of-canada-announces-deferral-in-implementation-of-change-to-capital-gains-inclusion-rate.html].

27 MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2025-1*, February 3, 2025.

28 GOVERNMENT OF CANADA, *Prime Minister Carney cancels proposed capital gains tax increase*, [Online], March 21, 2025, [https://www.pm.gc.ca/en/news/news-releases/2025/03/21/prime-minister-mark-carney-cancels-proposed-capital-gains-tax-increase].

29 DEPARTMENT OF FINANCE CANADA, *Budget 2025 – Annex 1 - Details of Economic and Fiscal Projections*, [Online], November 4, 2025, p. 277, [https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf].

30 See note 25.

- worker misclassification in information sharing;
- the home accessibility tax credit;
- the Canada carbon rebate;
- the scientific research and experimental development tax incentive program (SR&ED);[31]
- the critical mineral exploration tax credit;
- the clean technology manufacturing investment tax credit;
- the investment tax credit for carbon capture, utilization, and storage;
- the clean electricity investment tax credit and the Canada Growth Fund;
- tax deferral through tiered corporate structures;
- transfer pricing, with respect to penalties and the treatment of secondary adjustments.

5. Extension and adjustment of the refundable tax credit for Gaspésie and certain maritime regions of Québec

The refundable tax credit for Gaspésie and certain maritime regions of Québec was introduced on November 17, 2000.[32] It is intended for corporations carrying on activities in the marine or wind power resource sectors, in the manufacturing sector or in the recreation and tourism sector, subject to the specificities applicable to each administrative region.[33] The eligibility period for this tax credit is currently expected to end on December 31, 2025.

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31 As part of the 2025-2026 budget, the Ministère des Finances du Québec announced the harmonization of the Québec tax system with respect to the eligibility of capital expenditures for the deduction relating to SR&ED expenditures. However, provincial tax legislation is not harmonized with federal tax legislation concerning the SR&ED investment tax credit.

32 Ministère des Finances du Québec, *Information Bulletin 2000-8*, November 17, 2000, pp. 1-8.

33 In short, to be considered activities of a recognized business, activities in the marine biotechnology, mariculture or peat or slate processing sectors must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine, Côte-Nord or Bas-Saint-Laurent, those in the marine products processing sector must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine or Côte-Nord or in the RCM of La Matanie, activities related to the manufacturing of wind turbines or the production of wind power must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine or in the RCM of La Matanie, activities in the manufacturing sector must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine and, finally, those in the recreation and tourism sector must be carried out on the territory of the Communauté maritime des Îles-de-la-Madeleine.

To be eligible for the refundable tax credit for Gaspésie and certain maritime regions of Québec, a corporation must, among other things, begin carrying on the activities of its recognized business no later than December 31, 2025, and apply to Investissement Québec for an initial certificate. The corporation must demonstrate, to Investissement Québec's satisfaction, that the business for which the initial certificate application is made will contribute, within a reasonable period of time, to the creation of a minimum of three full-time jobs in an establishment of the corporation located in an eligible region.

In short, the refundable tax credit a qualified corporation may receive, for a taxation year in which a calendar year ends, is calculated on all amounts, each of which is the salary or wages paid by the corporation to an employee for a pay period ending in the calendar year in which he or she is an eligible employee. However, to determine the tax credit of a qualified corporation, for the taxation year in which the calendar year ends, the total of all amounts, each of which is the salary or wages paid to an employee of the corporation for the pay periods ending in the calendar year, may not exceed, in respect of that employee, an amount of $83 333 calculated on an annual basis.[34]

The tax-credit rate differs according to the activities of the recognized business carried out by the qualified corporation. Thus, for the activities of a recognized business in the marine biotechnology sector, the mariculture sector or the recreation and tourism sector, the tax-credit rate is 30%. The refundable tax credit can therefore reach, in this case, an amount of $25 000 per employee, per year. In the case of the activities of a recognized business in the wind power sector, the manufacturing sector, the peat or slate processing sector or the marine products processing sector, the tax-credit rate is 15%. The refundable tax credit can therefore reach, in this case, up to $12 500 per employee, per year.

Currently, to be considered activities of a recognized business, activities in the marine products processing sector must be carried out in the administrative region of Gaspésie–Îles-de-la-Madeleine, in the administrative region of Côte-Nord or in the RCM of La Matanie, which is located in the administrative region of Bas-Saint-Laurent.

To ensure greater fairness between corporations carrying out activities in the marine products processing sector, the tax legislation and the *Act respecting the sectoral parameters of certain fiscal measures* (hereinafter referred to as the "sectoral act") will be amended so that the territorial reach of activities in the marine products processing sector will be extended, as of the 2025 calendar year, to the RCMs of La Matapédia, La Mitis and Rimouski-Neigette, which are located in the administrative region of Bas-Saint-Laurent.

Moreover, in order to maintain support for the economic development of the Gaspésie–Îles-de-la-Madeleine region and certain maritime regions of Québec, the eligibility period for the refundable tax credit for Gaspésie and certain maritime regions of Québec will be extended for an additional five years.

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34 However, this limit does not apply for the determination of the "eligible amount" and the "base amount" used to calculate the tax credit (view the definition of these terms in the first paragraph of section 1029.8.36.72.82.13 of the *Taxation Act*).

The tax legislation and the sectoral act will thus be amended to extend until December 31, 2030, the eligibility period for the refundable tax credit for Gaspésie and certain maritime regions of Québec.

Similarly, the sectoral act will be amended so that a corporation can apply to Investissement Québec for an initial certificate for the refundable tax credit for Gaspésie and certain maritime regions of Québec for a recognized business whose operations began before January 1, 2031.

For greater clarity, the other terms and conditions of the refundable tax credit for Gaspésie and certain maritime regions of Québec will remain unchanged.

6. New extension of the income-averaging mechanism for certified forest producers

Introduced on a temporary basis in March 2016, the income-averaging mechanism for certified forest producers was implemented to encourage private forest owners to actively manage their forest lands with a view to marketing timber.[35] As part of the March 2020 budget speech, this mechanism was extended for five years and the tax carry-over period increased from seven to 10 years.[36]

This mechanism makes it possible, for the purposes of income tax and individual contribution to the Health Services Fund (HSF), to average a portion of the income generated by non-retail sales of timber produced in a private forest.[37]

Thus, an eligible individual or a qualified corporation that, at the end of a given taxation year ending after March 17, 2016 and before January 1, 2026, is a certified forest producer in respect of a private forest, or a member of a partnership that is a certified forest producer in respect of a private forest, may deduct, in calculating their taxable income for the year, an amount not exceeding 85% of the lesser of $200 000 and their income—or their share of the income of the partnership—from recognized commercial activities for that year in respect of a private forest.[38]

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35 Ministère des Finances du Québec, *The Québec Economic Plan – Additional Information 2016-2017*, March 17, 2016, pp. A.44-A.49.

36 Ministère des Finances du Québec, *Budget 2020-2021 – Additional Information*, March 10, 2020, pp. A.53-A.54.

37 Income eligible for income-averaging mechanism must come from a “recognized commercial activity,” that is, the sale of timber, other than retail sale, derived from the operation of the private forest, this sale is to be made to a purchaser having an establishment in Québec.

38 An individual, corporation or partnership, as the case may be, is considered at any time to be a certified forest producer in respect of a private forest if they have, at that time, a certificate issued under the *Sustainable Forest Development Act* (CQLR, chapter A-18.1), attesting to their status as a certified forest producer in respect of that private forest.

With respect to income from non-retail timber sales qualifying as recognized commercial activities, realized after March 9, 2020 and before January 1, 2026, taxation of the amount deducted may be averaged over a period not exceeding 10 years.[39] For each of the 10 taxation years following the year of the deduction, the taxpayer must include, in calculating their taxable income, at least 10% of the amount deducted, up to the amount by which the amount deducted exceeds the aggregate of the amounts already included.

However, the forestry sector is currently facing a number of challenges, including U.S. tariffs. In this context, intervening is justified in order to grant additional assistance that would help support the forestry industry.

As a result, the income-averaging mechanism for certified forest producers in respect of a private forest will be extended for a period of two years, for both income tax and the individual contribution to the HSF. In other words, income from non-retail timber sales, qualifying as recognized commercial activities, realized by a forest producer in respect of a private forest in a year or fiscal period, as the case may be, ending before January 1, 2028 will continue to be eligible for the averaging mechanism.

Accordingly, the tax legislation will be amended so that an eligible individual or a qualified corporation that, at the end of a given taxation year ending before January 1, 2028, is a certified forest producer in respect of a private forest, or a member of a partnership that is a certified forest producer in respect of a private forest, may deduct, in calculating their taxable income for the year, an amount not exceeding 85% of the lesser of $200 000 and their income—or their share of the income of the partnership—from recognized commercial activities for that year in respect of a private forest.

As for the other terms and conditions of the income-averaging mechanism for certified forest producers in respect of a private forest, they will remain unchanged, including the maximum carry-over period, which will remain at 10 years.

7. Adjustment to the refundable tax credit relating to mining or other resources

The refundable tax credit relating to mining or other resources (hereinafter referred to as the "tax credit relating to resources") was introduced as part of the March 29, 2001 budget speech.[40]

39 With respect to income from non-retail timber sales qualifying as recognized commercial activities, realized before March 10, 2020, taxation of the amount deducted could be averaged over a period not exceeding seven years.

40 MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2001-2002 – Additional Information on the Budgetary Measures*, March 29, 2001, Section 1, pp. 50-55.

In general, a qualified corporation[41] that incurs eligible expenses in a taxation year may benefit from this tax credit for such expenses, for the taxation year, at a rate of up to 45%, if it does not operate a mineral resource or an oil or gas well[42] (hereinafter referred to as “specified qualified corporation”). Also, a qualified corporation other than a specified qualified corporation (hereinafter referred to as “other qualified corporation”) may benefit, for a taxation year, in respect of eligible expenses it incurs, for that taxation year, from the tax credit, but at a lower rate.

The tax credit rate that a specified qualified corporation or an other qualified corporation may claim for eligible expenses it incurs varies according to the type of resource associated with the eligible expenses.

Briefly, a corporation’s eligible expenses can be divided into three categories: expenses related to mining resources in Québec, expenses related to renewable energy and energy savings in Québec, and expenses related to other natural resources[43] in Québec. These expenses must have been incurred by the corporation after March 29, 2001, and must not have been foregone for the purposes of the *Taxation Act* under the flow-through share regime.

As part of the March 25, 2025 budget,[44] a number of significant changes were made to the tax credit relating to resources.

These changes consisted, in particular, in:

— adding development expenses relating to mining resources incurred in Québec to the expenses eligible for this tax credit;

— revising the tax credit rates applicable to the eligible expenses related to mining resources.

The aim of this revision was to ensure that the rates would apply regardless of the region in which eligible expenses are incurred, and that rates applicable to eligible expenses related to mining resources that consist of expenses mainly attributable to one or more critical or strategic minerals[45] would be subject to a temporary increase.

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41 A qualified corporation that is a member of a qualified partnership may, on certain conditions, receive the tax credit relating to resources in respect of its share of eligible expenses incurred by the partnership.

42 Such corporation must not be part of an associated group within which a member operates a mineral resource or an oil or gas well.

43 For the purposes of the tax credit relating to resources, a natural resource consists of granite, sandstone, limestone, marble or slate, to the extent that the resources are used for the production of dimension stones, cemetery monuments, building stones, paving stones, curbing and roof tiles.

44 Ministère des Finances du Québec, *Budget 2025-2026 – Additional Information*, March 25, 2025, pp. A.36-A.41.

45 For the purposes of the tax credit, critical minerals are as follows: antimony, bismuth, cadmium, cesium, copper, tin, gallium, indium, tellurium and zinc, while strategic minerals are as follows: cobalt, rare earth elements, platinum group elements, graphite (natural), lithium, magnesium, nickel, niobium, scandium, tantalum, titanium and vanadium.

The table below shows the applicable rates following the changes made as part of the March 25, 2025 budget.

TABLE 4

Rates applicable after the March 25, 2025 budget speech, but before January 1, 2030
(per cent)

Category of eligible expenses	Specified qualified corporation	Other qualified corporation
Critical and strategic minerals	45.00(1)	20.00(1)
Other mining resources(2)	22.50	10.00
Renewable and conservation	28.00	24.00
Other natural resources (dimension stone)	12.00	12.00

(1) Eligible expenses mainly attributable to one or more critical and strategic minerals are eligible for the enhanced rates until December 31, 2029. After that date, they will be eligible for the rates applicable to eligible expenses related to other mining resources.
(2) As of April 1, 2023, coal-related expenses are no longer eligible for the tax credit.

As part of the March 25, 2025 budget, the introduction of a limit on eligible expenses of $100 million per five-year period was also announced.

Briefly, for a qualified corporation, the total of eligible expenses for a taxation year may not exceed that corporation's balance of cumulative eligible expense limit for that taxation year. A corporation's balance of cumulative eligible expense limit for a taxation year is equal to the excess of $100 million over the corporation's total eligible expenses, including those of another corporation that is a member of the associated group, in respect of which the tax credit relating to resources could be claimed for a taxation year ended in the 48-month period preceding the beginning of the particular year.[46] Similar rules apply to qualified partnerships and to joint ventures.

However, corporations carrying out work in Québec's Far North face significantly higher exploration and development costs than those operating elsewhere in Québec, which means that the cumulative eligible expense limit has a greater impact on these corporations. Moreover, one of the government's economic priorities is to foster the development of critical and strategic minerals.

Consequently, to acknowledge the reality of corporations operating in Québec's Far North while prioritizing the execution of work related to critical and strategic minerals, the tax legislation will be amended so that the calculation of the balance of cumulative eligible expense limit is adjusted to take into account only half of the eligible expenses related to mining resources incurred in Québec's Far North that consist of expenses mainly attributable to one or more critical or strategic minerals.[47] In this respect, Québec's Far North will mean the territory located in Québec north of the 55th degree of north latitude.

46 However, eligible expenses incurred before March 26, 2025 are not considered for the calculation of the balance of cumulative eligible expense limit.

47 See note 45.

For greater clarity, this change will not apply to eligible expenses incurred in Québec's Near North.[48] Those expenses will be taken into account in full when calculating the balance of cumulative eligible expense limit.

The other rules for calculating the balance of cumulative eligible expense limit of a qualified corporation, a qualified partnership or a joint venture will remain unchanged.

❑ Application date

This amendment will apply for a taxation year or a fiscal year, as the case may be, that begins after March 25, 2025.

8. 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,[49] 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 amount[50] and a coinsurance payment.[51]

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48 Québec's Near North means the territory located in Québec north of the 49th degree of north latitude and north of the St. Lawrence River and the Gulf of St. Lawrence, and south of the territory of Québec's Far North.

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

50 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. For 2025, the deductible amount is $264, divided into equal monthly amounts.

51 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. As of July 1, 2025, the coinsurance percentage is 30%.

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 social assistance program stipulated in the *Individual and Family Insurance Act*,[52] as well as persons 65 years of age or over receiving 94% or more of the maximum amount of the monthly Guaranteed Income Supplement under the *Old Age Security Act*[53] determined without taking into account the amount that may be added to the amount of the supplement since July 2011.

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 2025 calendar year, the maximum premium payable is $755 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.[54]

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 rate[55] applies to the first $5 000 of income covered, and the second rate,[56] 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 2025, the amount of each of the exemptions currently allowed.

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52 CQLR, chapter A-13.1.1.

53 R.S.C., 1985, c. O-9.

54 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.

55 For 2025, the first contribution rate is 7.84%, in the case of a single person, and 3.93% in the case of a person living as a couple.

56 For 2025, the second contribution rate is 11.76%, in the case of a single person, and 5.89%, in the case of a person living as a couple.

The table below shows the amount of each of the allowable exemptions for 2025, according to household composition.

TABLE 5

Amount of the exemptions allowed for the purpose of calculating the premium payable under the PPDIP for 2025
(dollars)

Household composition	Amount of the exemption
1 adult, no children	19 890
1 adult, 1 child	32 240
1 adult, 2 or more children	36 460
2 adults, no children	32 240
2 adults, 1 child	36 460
2 adults, 2 or more children	40 360