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# PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM

**FOR 2023**

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# 1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

Under the tax legislation, the main parameters of the personal income tax system are automatically indexed each year. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic personal amount. It also applies to most parameters used to determine tax credits.

Indexing the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In concrete terms, indexing the tax system increases the amount of several deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

## □ Indexing rate for taxation year 2023

The indexing rate for 2023 corresponds to the percentage change in the consumer price index for Québec (Québec CPI), excluding alcoholic beverages, tobacco products and recreational cannabis, between the 12-month period ending September 30, 2022 and the 12-month period ending September 30, 2021.

According to the formula, the personal income tax system will be indexed at the rate of 6.44% for taxation year 2023.

Indexing formula
<p>The indexing formula set out in the <i>Taxation Act</i> is applied by multiplying the parameter to be indexed by the difference between A and B. The result obtained is rounded according to the applicable rule.</p> <ul style="list-style-type: none"><li>– “A” is the overall average Québec CPI without alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on September 30 of the taxation year preceding that for which an amount is to be indexed.</li><li>– “B” is the overall average Québec CPI without alcoholic beverages, tobacco products and recreational cannabis for the 12-month period that ended on September 30 of the taxation year immediately before the year preceding that for which an amount is to be indexed.</li></ul>



## 2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2023, the Québec government will index the personal income tax system at a cost of \$2.152 billion. Over the period from 2015 to 2023, the cumulative impact will equal close to \$5.5 billion.

TABLE 1

### **Impact of indexing the personal income tax system**

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Indexing rate (%)	1.06	1.09	0.74	0.82	1.71	1.72	1.26	2.64	6.44
Impact (\$M)	268	295	199	229	488	527	424	898	2 152
Cumulative impact (\$M)	268	563	762	991	1 479	2 006	2 430	3 328	5 480



### **3. INCREASE IN THE WORK PREMIUM AND FAMILY ALLOWANCE**

The indexing of the basic benefits of last resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and family allowance in order to maintain the harmonization of the tax system and income security programs.

#### **□ Work premium**

The general work premium is integrated with the last resort financial assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last resort financial assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to \$2 400 for a household consisting of one adult and \$3 600 for a household consisting of two adults, are excluded from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with a severely limited capacity for employment is integrated with the last resort financial assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

#### **□ Family allowance**

To integrate the family allowance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which the family allowance begins to reduce based on income.

The maximum and minimum amount of the family allowance granted for each child are indexed according to the indexation rate provided for under the tax system.



## 4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2023, the indexing rate of the Québec tax system (6.44%) will be higher than the indexing rates applied by the federal government and the governments of the other provinces that index their tax system, with the exception of Manitoba and Ontario.

TABLE 2

### Indexing rates of the federal and provincial personal income tax systems (per cent)

	2015	2016	2017	2018	2019	2020	2021	2022	2023 <sup>(1)</sup>
Federal <sup>(2)</sup>	1.7	1.3	1.4	1.5	2.2	1.9	1.0	2.4	6.3
<b>Provinces</b>									
– Newfoundland and Labrador <sup>(3)</sup>	2.2	0.4	2.0	3.0	1.8	0.9	0.4	2.8	5.9
– Prince Edward Island	—	—	—	—	—	—	—	—	—
– Nova Scotia	—	—	—	—	—	—	—	—	—
– New Brunswick <sup>(2)</sup>	1.7	1.3	1.4	1.5	2.2	1.9	1.0	2.4	6.3
– <b>Québec<sup>(4)</sup></b>	<b>1.06</b>	<b>1.09</b>	<b>0.74</b>	<b>0.82</b>	<b>1.71</b>	<b>1.72</b>	<b>1.26</b>	<b>2.64</b>	<b>6.44</b>
– Ontario <sup>(3)</sup>	2.0	1.5	1.6	1.8	2.2	1.9	0.9	2.4	6.5
– Manitoba <sup>(5)</sup>	—	—	1.5	1.2	2.6	2.2	1.0	2.1	7.0
– Saskatchewan <sup>(2),(6)</sup>	1.7	1.3	1.4	—	—	—	1.0	2.4	6.3
– Alberta <sup>(3),(7)</sup>	2.4	1.3	1.3	1.2	2.4	—	—	2.3	6.0
– British Columbia <sup>(3)</sup>	0.7	0.9	1.8	2.0	2.6	2.5	1.1	2.1	6.0

Note: An em dash (—) means the tax system was not indexed.

(1) The federal and provincial, other than Québec, indexing rates are projected by the Ministère des Finances du Québec according to the method usually used in the province or at the federal level.

(2) The indexing rate is calculated on the basis of Canada's consumer price index. It is rounded to the nearest decimal.

(3) The indexing rate is calculated on the basis of the consumer price index for the province.

(4) Since the 2005 taxation year, Québec's indexing rate is based on the consumer price index for Québec, excluding alcohol, tobacco and, since 2020, recreational cannabis.

(5) Since the 2017 taxation year, Manitoba's indexing rate is based on the consumer price index for Manitoba. The indexing rate is rounded to the nearest decimal.

(6) In Saskatchewan's 2017-2018 budget, the province announced the suspension of the indexation of the personal income tax system starting in 2018. In the 2020-2021 budget, Saskatchewan announced that the personal income tax parameters will be indexed again starting in 2021.

(7) In Alberta's 2019-2020 budget, the province announced the suspension of the indexation of the personal income tax system starting in 2020. In August 2022, the province announced that the personal income tax parameters would be indexed again starting in 2022.



## 5. TABLES OF PARAMETERS

TABLE 3

### Parameters of the personal income tax system subject to indexing (dollars)

	2022	2023
<b>Tax table</b>		
– Maximum threshold of first taxable income bracket	46 295	49 275
– Maximum threshold of second taxable income bracket	92 580	98 540
– Maximum threshold of third taxable income bracket	112 655	119 910
– Basic personal amount	16 143	17 183
<b>Amount of recognized essential needs</b>		
– Amount for person living alone		
▪ basic amount	1 850	1 969
▪ supplement for single-parent family	2 284	2 431
– Amount with respect to age	3 395	3 614
– Amount for retirement income	3 017	3 211
– Amount of transfer of the recognized parental contribution		
▪ maximum amount of recognized needs	11 081	11 795
▪ reduction where only one term of studies is completed	3 101	3 301
– Amount for a minor child enrolled in vocational training or post-secondary studies (per term, maximum of two terms)	3 101	3 301
– Amount respecting other dependents	4 519	4 810
– Amount for a severe and prolonged impairment in mental or physical functions	3 584	3 815
<b>Certain deductions and exemptions</b>		
– Maximum amount of the deduction for workers	1 235	1 315
– Amount of the personal contribution for the purposes of the deduction for the purchase of tradespersons' tools	1 245	1 325
– Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 235	1 315
– Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	385	410
<b>Reduction thresholds</b>		
– Reduction threshold of the tax credit for a person living alone, for age and for retirement income	36 590	38 945
– Reduction threshold of the tax credit for career extension	36 590	38 945
– Reduction thresholds of the refundable tax credit for home-support services for seniors		
▪ First reduction threshold	61 725	65 700
▪ Second reduction threshold	100 000	106 440

TABLE 3 (cont.)

**Parameters of the personal income tax system subject to indexing**  
(dollars)

	2022	2023
<b>Maximum income to qualify for certain tax credits</b>		
– Maximum family income to qualify for the tax credit for youth activities	146 450	155 880
– Maximum family income to qualify for the grant for seniors to offset a municipal tax increase	54 700	58 200
<b>Refundable tax credit for childcare expenses<sup>(1)</sup></b>		
– Limit on fees in respect of children under 7 years of age	10 675	11 360
– Limit on fees in respect of children with disabilities	14 605	15 545
– Limit on fees in respect of another child (under 16 years of age or who has an infirmity)	5 375	5 720
– Eligible child – Maximum income	11 081	11 795
<b>Certain refundable tax credits</b>		
– Tax credit for medical expenses		
▪ maximum amount	1 274	1 356
▪ minimum amount of work income	3 260	3 470
▪ reduction threshold	24 635	26 220
– Tax credit for caregivers		
▪ universal basic amount (co-residency)	1 299	1 383
▪ reducible amount based on the care receiver's income	1 299	1 383
▪ reduction threshold	23 055	24 540
– Québec education savings incentive		
▪ first income threshold for purposes of calculating the increase amount	46 295	49 275
▪ second income threshold for purposes of calculating the increase amount	92 580	98 540
– Senior assistance amount		
▪ reduction threshold for a single senior	24 195	25 755
▪ reduction threshold for a couple	39 350	41 885
▪ reduction rate (%) <sup>(2)</sup>	5.00	5.16
<b>1% contribution by individuals to the Health Services Fund</b>		
– Maximum threshold of first income bracket	15 765	16 780
– Maximum threshold of second income bracket	54 820	58 350

(1) Indexing of family income thresholds for the refundable tax credit for childcare expenses is presented on page 13.

(2) This rate will be revalued each year starting in 2023.

TABLE 3 (cont.)

**Parameters of the personal income tax system subject to indexing**  
(dollars)

	2022	2023
<b>Refundable tax credit granting an allowance to families</b>		
– Family allowance		
▪ Maximum amounts		
○ each child	2 614	2 782
○ single-parent family	917	976
▪ Reduction threshold <sup>(3)</sup>		
○ single-parent family	37 752	40 168
○ couple	51 893	55 183
▪ Minimum amounts		
○ each child	1 040	1 107
○ single-parent family	365	389
– Supplement for the purchase of school supplies	108	115
– Monthly amount of the supplement for handicapped children	205	218
– Monthly amount of the supplement for handicapped children requiring exceptional care – Level 1	1 035	1 102
– Monthly amount of the supplement for handicapped children requiring exceptional care – Level 2	689	733
<b>General work premium<sup>(3)</sup></b>		
– Maximum amounts		
▪ person living alone	1 025.21	1 095.27
▪ couple without children	1 600.57	1 709.61
▪ single-parent family	2 651.40	2 832.60
▪ couple with children	3 449.50	3 684.50
– Reduction threshold		
▪ one adult	11 238	11 842
▪ couple	17 398	18 338
<b>Adapted work premium for persons with a severely limited capacity for employment<sup>(3)</sup></b>		
– Maximum amounts		
▪ person living alone	1 973.90	2 101.74
▪ couple without children	3 075.78	3 263.73
▪ single-parent family	3 628.50	3 863.50
▪ couple with children	4 523.20	4 799.60
– Reduction threshold		
▪ one adult	15 714	16 654
▪ couple	23 816	25 198

(3) The increase in the parameter values is based on a revaluation formula that considers, among other things, the indexing of last resort financial assistance benefits.

TABLE 4

**Parameters of the personal income tax system subject to indexing**  
(dollars)

	From July 2022 to June 2023	From July 2023 to June 2024
<b>Solidarity tax credit</b>		
– Amounts for the QST		
▪ basic amount	309	329
▪ amount for spouse	309	329
▪ additional amount for a person living alone	147	156
– Amounts for housing		
▪ amount for a couple	727	774
▪ amount for a person living alone or a single-parent family	599	638
▪ amount for each dependent child	128	136
– Amounts for individuals living in a northern village		
▪ amount per adult	1 818	1 935
▪ amount for each dependent child	393	418
– Solidarity tax credit reduction threshold	36 790	39 160
– Maximum family income threshold at which only 50% of the solidarity tax credit amount can be allocated to the payment of a debt to the State	22 315	23 750

**Indexing period for the parameters of the solidarity tax credit**

The parameters of the solidarity tax credit are indexed each year on July 1 instead of on January 1. They remain unchanged from July of a given year to June of the following year.

TABLE 5

**Parameters of the refundable tax credit for childcare expenses**

Taxation year 2022			Taxation year 2023		
Family income (\$)		Tax credit rate (%)	Family income (\$)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding	
—	21 555	78	—	22 945	78
21 555	38 010	75	22 945	40 460	75
38 010	39 415	74	40 460	41 955	74
39 415	40 830	73	41 955	43 460	73
40 830	42 220	72	43 460	44 940	72
42 220	43 635	71	44 940	46 445	71
43 635	104 170	70	46 445	110 880	70
104 170	or more	67	110 880	or more	67

