

## Canadian Payroll Association Commends Carlos J. Leitão, Minister of Finance on Tax Simplification Commitment in Quebec Budget

**QUEBEC CITY (March 26, 2015)** – In the 2015 Quebec Budget, presented today by Mr. Carlos J. Leitão, Minister of Finance, the Quebec government demonstrated its commitment to increase tax measure simplification and reduce administrative burden on employers and employees.

“We commend the Quebec government for their simplification measures and aiming for harmonization with other jurisdictions and the federal government through joint task forces,” said the Canadian Payroll Association’s Manager of Advocacy and Legislative Content, Rachel De Grâce. “This supports the Association’s advocacy mandate to increase the effectiveness and efficiency of payroll-related legislation, regulations and administration for all stakeholders: employers, government and employees.”

Budget proposals impacting payroll administration include the following highlights.

### Personal health contribution to be eliminated over three years

Budget 2015-2016 announced the gradual elimination of the personal health contribution, beginning January 1, 2017. As of 2017, all individuals whose net income does not exceed \$42,235 will be exempted from paying a health contribution. Individuals with a net income of greater than \$42,235 and less than \$137,250 will see their maximum contribution reduced by \$200, to \$125 in 2017 and to \$80 in 2018. Individuals with a net income over \$137,250 will see their maximum contribution reduced by \$1,000, to \$800 in 2017 and \$600 in 2018.

As of the 2019 tax year, the health contribution will be abolished for all Quebecers.

### Illustration of the gradual elimination of the health contribution for 2017 and 2018 (dollars)

Adult's income <sup>(1)</sup>		Health contribution		
Higher than	Without exceeding	Current situation	2017	2018
—	18 370.00	—	—	—
18 370.00	40 820.00	0.01 to 100.00	—	—
40 820.00	132 650.00	100.01 to 200.00	0.01 to 125.00	0.01 to 80.00
132 650.00	—	200.01 to 1 000.00	125.01 to 800.00	80.01 to 600.00

(1) The income brackets indicated in this table do not take into account the fact that the thresholds are automatically indexed each year on January 1.

### Gradual reduction of the Health Services Fund contribution rate for small and medium employers in the service and construction sectors

In the December 5, 2014 *Update on Québec's Economic and Financial Situation*, the government announced a reduction in the Health Services Fund (HSF) contribution rate for small

and medium employers in the primary and manufacturing sectors from 2.7% to 1.6%, effective January 1, 2015.

The Canadian Payroll Association advocated for a grace period which was granted for the 2015 tax year to give employers, payroll software developers and service providers additional time to implement this reduction into payroll systems. This grace period enables eligible employers to claim the reduction through the HSF reconciliation on the RL-1 Summary. However, effective the first pay period of 2016, eligible employers must apply the reduction through their periodic remittances to RQ.

The Québec Taxation Review Committee recommends extending this HSF contribution reduction to all service sectors. Budget 2015-2016 provides for a gradual reduction in the HSF contribution rate as of January 1, 2017 for all small and medium employers in the service and construction sectors that have a payroll of less than \$5 million.

Eligible employers with a total payroll of \$1 million or less will see their contribution rate gradually decrease, from 2.7% to 2.25%:

- 2.55% on January 1, 2017
- 2.40% on January 1, 2018
- 2.25% on January 1, 2019

When fully implemented, eligible employers with a payroll greater than \$1 million but less than \$5 million will be subject to contribution rates from 2.25% to 4.26%.

#### **Illustration of the impact of the gradual reduction of the Health Services Fund contribution rate for SMBs in the service and construction sectors (%)**

	Total payroll				
	\$1 million or less	\$2 million	\$3 million	\$4 million	\$5 million or more
Current rates	2.70	3.09	3.48	3.87	4.26
Rates for 2017	2.55	2.98	3.41	3.83	4.26
Rates for 2018	2.40	2.87	3.33	3.80	4.26
Rates as of 2019	2.25	2.75	3.26	3.76	4.26

#### **Workforce skills development and recognition fund threshold increased to \$2 million**

Effective 2015, amendments will be made to the *Act to promote workforce skills development and recognition* (also known as the “1% law”) and regulations in order to raise the payroll threshold at which employers become subject to the Act, from \$1 million to \$2 million.

The government will also aim, in the coming years, to:

- level the funding for the Workforce Skills Development and Recognition Fund (WSDRF);

- earmark new amounts to meet the current and future training needs of organizations, in particular by giving a strategic role to the Commission des partenaires du marché du travail; and
- adapt certain training programs to specifically emphasize workplace learning and increase the tax credit for on-the-job internships to encourage employers to hire interns more regularly.

Additional measures in Quebec Budget 2015 which may also affect employers and employees include:

- consolidation of the Commission de la santé et de la sécurité du travail (CSST), the Commission des normes du travail (CNT) and the Commission de l'équité salariale (CES), by creation of the Commission des droits, de la santé et de la sécurité du travail (CDSST);
- an increase from 15% to 20% in the tax credit for Fondation;
- the introduction of an improved tax holiday for major investment projects in manufacturing, wholesale trade, and data storage, processing and hosting sectors;
- an enhancement of the tax credit for experienced workers;
- an increase in the eligibility age for the tax credit with respect to age;
- an implementation of a new immigration policy increase in the refundable tax credit for on-the-job training periods; and
- changes to refundable tax credits, along with a new credit called the "tax shield".

Additional highlights of [2015 Quebec Budget](#) measures affecting payroll can be found on the [Canadian Payroll Association](#) website. The complete 2015-2016 Quebec Budget can be found at [http://www.budget.finances.gouv.qc.ca/budget/2015-2016/index\\_en.asp](http://www.budget.finances.gouv.qc.ca/budget/2015-2016/index_en.asp)

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**About the Canadian Payroll Association:**

Canada's 1.5 million employers rely on payroll practitioners to ensure the timely and accurate annual payment of \$865 billion in wages and taxable benefits, \$290 billion in statutory remittances to the federal and provincial governments, and \$163 billion in health and retirement benefits, while complying with more than 190 federal and provincial regulatory requirements. Since 1978, the Canadian Payroll Association has annually influenced the payroll compliance practices and processes of over five hundred thousand organizational payrolls. As the authoritative source of Canadian payroll compliance knowledge, the Canadian Payroll Association promotes payroll compliance through advocacy and education.

