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STEP Canada Tax Technical Committee

STEP Québec Budget Summary 2013-14

Additional income tax for high-income individuals

As of the 2013 taxation year, a fourth level will be added to the personal income tax table. A rate of 25.75% will apply to the level, which will be comprised of the taxable income bracket over $100,000, to reach a maximum combined tax rate of 49.97%

Measures affecting inter vivos trusts

The rate for determining the income tax payable by an *inter vivos trust* (including a mutual fund trust and a specified investment flow-through trust) will be raised from 24% to 25.75% as of the 2013 taxation year, reaching a maximum combined tax rate of 49.97%

As well, as of the 2013 taxation year, the tax rate to which *inter vivos trusts* not resident in Canada will be subject on their property income derived from the rental of an immovable property located in Québec used primarily for the purposes of earning or producing gross revenue that constitutes rent will be raised from 5.3% to 7.05%.

It should be noted that the tax credit for charitable donation remains at 24% for individuals and is not raised at the level of the highest income tax rate of 25.75%. The maximum combined credit will therefore stay at 48.22%

Obligation on certain trusts to file a return

Addition of situations where a trust is required to file a tax return

The tax legislation will be amended so that a trust, other than an excluded trust, liable for Québec tax, for its taxation years starting after the day of the Budget, is required to file a tax return for such taxation year if it satisfies one of the following conditions:

- it deducts in calculating its income for the taxation year an amount allocated to a beneficiary regardless of the place of residence of the beneficiary;
- in the case of a trust that is resident in Québec on the last day of the taxation year, it owns, at any time in such taxation year, property the total of whose cost amounts exceeds $250,000;
- in the case of a trust that is not resident in Québec on the last day of the taxation year, it owns, at any time in such taxation year, property that it uses in carrying on a business in Québec the total of whose cost amounts exceeds $250,000.

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Excluded trust

The expression "excluded trust" means, for a taxation year, a trust that, throughout the year, is one of the following trusts:

- a succession;
- a testamentary trust that is resident in Québec the last day of its taxation year and for which the total of the cost amounts of its property is, throughout its taxation year, less than one million dollars;
- a testamentary trust that is not resident in Québec the last day of its taxation year and for which the total of the cost amounts of its property located in Québec is, throughout its taxation year, less than one million dollars;
- a unit trust;
- a segregated fund trust of an insurer;
- a mutual fund trust;
- a specified investment flow-through trust;
- a tax-exempt trust.

Implementation of a tax holiday for large investment projects

A corporation or a partnership that carries out a large investment project in Québec, after November 20, 2012, may, benefit, for a period of 10 years, from a tax holiday regarding tax on the income from its eligible activities relating to such project and from a holiday from employer contributions to the Health Services Fund (HSF) regarding the portion of wages paid to its employees that is attributable to the time they spend on such activities.

This tax holiday may not exceed 15% of the total eligible investment expenditures relating to such project.

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