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## Reflection on taxes

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Since the election of a new provincial government on September 4, 2012, several announcements regarding income tax measures were made, modified or withdrawn. On November 20, 2012, the Minister of Finance and the Economy, Nicolas Marceau, set the record straight by presenting his first budget. This Reflection on taxes aims to introduce you to what will be the Québec tax landscape for 2013.

### Individual tax rates and health contribution

Québec rates only	2012		2013
Up to \$40,100	16.00%	Up to \$41,095	16.00%
From \$40,101 to \$80,200	20.00%	From \$41,096 to \$82,190	20.00%
Over \$80,200	24.00%	From \$82,191 to \$100,000	24.00%
		Over \$100,000	25.75%

Combined Québec and federal marginal tax rates	2012	2013
Property and employment income	48.22%	49.97%
Capital gains	24.11%	24.99%
Eligible dividends	32.81%	35.20%
Ordinary dividends	36.35%	38.54%

The new marginal rate of 25.75% will apply to *inter vivos* trusts and to minor children's split income. The tax calculation for the alternative minimum tax will also be adjusted to reflect the higher tax rate.

In addition, the health contribution introduced in 2010 has been adjusted to reflect the financial capacity of the taxpayers. In simplified form, the contribution represents:

Level of income	2013
Less than \$18,000	\$0
\$18,000 to \$42,000	\$0.01 to \$200
\$42,000 to \$130,000	\$200
\$130,000 to \$150,000	\$200.01 to \$1,000
Over \$150,000	\$1,000

The health contribution will be subject to deductions at source beginning in 2013. Furthermore, the amount of an individual's tax instalments for 2013 will consider the health contribution.

### Refundable tax credit for youth activities

Families whose income does not exceed \$130,000 in 2013 will benefit from a refundable tax credit of 20% of eligible expenses incurred for physical, artistic or cultural activities of any eligible child who is at least 5 but not yet 16 years of age as at January 1<sup>st</sup> of the year. For 2013, eligible expenses will be \$100 and will gradually increase from \$100 per year to reach \$500 in 2017. The maximum eligible expenditure will be doubled for children suffering from a severe and prolonged impairment in mental or physical functions.

### Voluntary retirement savings plans (VRSP)

The government first announced measures to facilitate retirement savings in the March 17, 2011 budget. These measures are designed for workers who are not saving enough for their retirement. The new VRSP will enable Quebecers with no pension plan to have access to a savings vehicle offering the benefits of a group plan. The current Budget states that the government will table, by the spring of 2013, a bill to implement the new VRSP.

### Sales tax

As of January 1, 2013, the QST rate will increase to 9.975%. However, the QST will cease to apply on the sales price including GST. In addition, financial services that were considered as zero-rated supplies for QST purposes now become exempt supplies. For more information you may refer to our December 10, 2011 *Réflexion en fiscalité* (French version only) on our website.