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Tax Alert – Canada

Québec budget 2025–2026

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"This budget presents our government's plan for a more resilient, better performing and more innovative economy"

"[…] this is the budget of a strong Québec."

Québec Finance Minister Éric Girard
2025–2026 budget speech

On 25 March 2025, Québec Finance Minister Éric Girard tabled the province's fiscal 2025–2026 budget. The budget contains several tax measures affecting individuals and corporations. The budget contains no new taxes and no income tax increases.

The minister anticipates a deficit of $13.6 billion for fiscal 2025-2026 (after contributions to the Generations Fund) and $9.5 billion for fiscal 2026-2027, and projects a deficit for each of the next two years. The government's objective is to restore fiscal balance by fiscal 2029–2030.

Following is a brief summary of the key fiscal measures.

Shape the future with confidence

Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the $500,000 small-business limit.

Québec's 2025 corporate income tax rates are summarized in Table A.

Table A – 2025 Québec corporate income tax rates[1]

	QC	Federal and QC combined
Small-business tax rate[2, 3]	3.20%	12.20%
General corporate tax rate[3, 4]	11.50%	26.50%

[1] The rates represent calendar-year-end rates unless otherwise indicated.

[2] Effective for taxation years beginning on or after 1 January 2017, a Canadian-controlled private corporation (CCPC) must meet certain qualification criteria concerning the minimum number of hours paid to benefit from the small-business tax rate. The minimum number of hours paid criterion requires that an eligible corporation's employees work at least 5,500 hours annually, and the amount of the deduction is reduced linearly when the hours are between 5,500 and 5,000 hours. A maximum of 40 hours per week per employee is considered. Special conversion rules apply to take into consideration hours worked (but not necessarily paid in the form of wages) by actively engaged shareholders who hold, directly or indirectly, shares of the corporation that carry more than 50% of the voting rights.

[3] The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Québec rates above.

[4] An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a $100 million exemption to be shared by group members).

Introduction, adjustment and abolition of various corporate fiscal measures

Introducing a tax credit for R&D, innovation and pre-commercialization (hereinafter referred to as the "CRIC")

The budget proposes the introduction of a refundable tax credit for R&D, innovation and pre-commercialization. Essentially, various credits will be replaced by this new tax credit to simplify the province's fiscal measures. This simplification impacts additional activities, with the addition of pre-commercialization, and includes more eligible expenditures, with the addition of capital expenditures, compared to the credits replaced. This credit will apply to a fiscal period or taxation year, as the case may be, beginning after 25 March 2025.

The main parameters of this new credit will be as follows:

- To qualify, an "eligible corporation" (other than an excluded corporation) or an "eligible partnership" must carry on a business in Québec and undertake in Québec, or cause to be undertaken on its behalf in Québec as part of a contract, R&D or pre-commercialization activities in respect of one of these businesses.
- The base rate for this tax credit will be 20% and may be increased to 30% in respect of a maximum of $1 million in eligible expenditures, regardless of the eligible corporation's assets.
- The tax credit from which an eligible corporation may benefit will be calculated using the excess of the sum of its expenditures relating to R&D and pre-commercialization activities, for the taxation year, over the amount of its exclusion threshold applicable for that taxation year.
- Eligible expenditures for the CRIC are similar to current qualified expenditures for the purposes of the tax credit for salaries (R&D), or a qualified expenditure for the purposes of the R&D tax credit (research contract) (salaries and wages, the portion of the consideration or one-half the portion of the consideration, as the case may be, that it paid under a contract to a subcontractor, an eligible public research centre, a research consortium or an eligible university entity).
- In addition, the CRIC expands eligible expenditures to include capital expenditures (with certain exclusions) relating to the acquisition of property used in R&D activities or pre-commercialization activities undertaken in Québec in the year or period. The property must not, before its acquisition, have been used for any purpose nor have been acquired to be used or leased for any purpose whatever. A capital expenditure will be deemed not to have been incurred before the property is considered available for use.
- The amount of the exclusion threshold, for a taxation year or fiscal period, will be the greater of $50,000 or the total of the "R&D employees threshold" and the "pre-commercialization employees threshold".1
- The CRIC includes various parameters for specific situations, including where a corporation is a member of an eligible partnership, as well as rules relating to the accumulation of tax assistance, short taxation years (less than 51 weeks), sharing of the expenditure limit for members of an associated group, limitations of the credit for property used as part of a large investment project (in respect of which the corporation benefited from a tax holiday), the application of tax assistance (government, non-government and benefits attributable to expenditures) and contract payments. Also, the rules for recovery by means of a special tax are provided for in certain circumstances.

[1] In general, it is the lesser of (i) the amount of salaries and wages paid for an employee for R&D or pre-commercialization activities, or (ii) an amount calculated on the basis of the amount used to compute the basic personal tax credit multiplied by the proportion represented by the salaries and wages paid to the employee for R&D work or pre-commercialization work in relation to the total of salaries and wages paid to the employee.

Consequential adjustments of certain fiscal measures

Incentive deduction for the commercialization of innovations in Québec (IDCI)

Following the introduction of the CRIC and the abolition of the tax credit for salaries (R&D) and the R&D tax credit (research contract), the budget proposes consequential adjustments to the variables of the fraction considered for the calculation of the ratio for the purposes of the IDCI. Expenditures relating to pre-commercialization activities will not be taken into account elsewhere in this calculation. Similarly, expenditures relating to R&D activities taken into account in the calculation of the Québec nexus ratio will not be reduced by the CRIC exclusion threshold. These changes will apply to a taxation year that will begin after 25 March 2025.

Securities options deduction

Following the introduction of the CRIC and the abolition of the four tax credits for R&D, the budget proposes consequential amendments to the securities options deduction. More specifically, amendments will be made to the eligibility for the deduction rate, increased to 50%, to account for the CRIC parameters. To this end, a corporation will qualify as a qualified corporation for a calendar year if, in the year, it carries on a business in Québec and has an establishment there, and if an amount under the CRIC was allocated to it for its taxation year ended in the calendar year or if, for one of the three preceding taxation years, either an amount under the CRIC was allocated to it or the corporation’s assets as shown in its financial statements were less than $50 million and an amount under one of the former tax credits for R&D was allocated to it. This amendment will apply to 2026 and subsequent calendar years. In addition, for the 2025 calendar year, a corporation will qualify as a qualified corporation if, in 2025, it carries on a business in Québec and has an establishment there, and if the following conditions are met:

- Either an amount in respect of the CRIC was granted to it for a taxation year ended in 2025; or
- An amount in respect of one of the former tax credits for R&D was granted to it for a taxation year ended in 2025, or for one of the three preceding taxation years, and the corporation had assets of less than $50 million recorded in its financial statements for 2025 or one of the three preceding taxation years.

Consequential abolition of certain fiscal measures

The budget proposes to abolish a number of tax measures as a result of the implementation of the CRIC. These abolitions apply, with a few exceptions, to the following credits in respect of a taxation year or fiscal period of a taxpayer or partnership, as the case may be, beginning after 25 March 2025:

- Tax credit for salaries (R&D).

- Tax credit for university research and for research carried on by a public research centre or a research consortium. Despite the abolition of the R&D tax credit (research contract), the *Act respecting the sectoral parameters of certain fiscal measures* will be amended to permit the Minister of the Economy, Innovation and Energy to continue to issue certificates of recognition as an eligible public research centre and as an eligible research consortium for purposes of the CRIC. In addition, the Minister of Finance will continue to recognize eligible university entities for the purposes of the CRIC.

- Tax credit for private partnership pre-competitive research.

- Tax credit for fees and dues paid to a research consortium. However, for greater certainty, the eligible fee balance of a taxpayer or partnership at the end of a taxation year or fiscal period, as the case may be, that will end after 25 March 2025, could give rise to the R&D tax credit (consortium) under the same terms, in respect of a taxation year ending on or before 31 December 2029. Despite the abolition of the R&D tax credit (consortium), the *Act respecting the sectoral parameters of certain fiscal measures* will be amended to permit the Minister of the Economy, Innovation and Energy to continue to issue consortium certificates for an eligible research consortium for purposes of the CRIC.

- Tax credit for technological adaptation services.

- The tax credit for an in-house design activity (industrial design component). For greater clarity, this tax credit will remain unchanged with regard to the fashion design component and will continue to apply to expenditures relating to this component.

Modernization of the tax credits for the development of e-businesses (TCEB) and reduction of applicable rates in certain circumstances

The budget proposes certain changes to modernize the TCEB. In particular, the changes include:

- Refocusing eligible activities for TCEB purposes on e-business integrating artificial intelligence (AI) functionalities to a significant extent;

- Relaxing the criteria relating to activities and the criterion relating to services provided by adding data processing and hosting activities, to promote the eligibility of AI businesses; and

- Removing activities relating to maintenance or evolution.

These changes will apply to a taxation year that will begin after 31 December 2025. They may also apply, where the corporation files an election (within the prescribed time limits) in writing with Investissement Québec, for a taxation year that begins after 25 March 2025 and before 1 January 2026.

Reduction of applicable rates

A change will also be made to reduce the tax assistance to corporations that provide services to persons with whom they are not dealing at arm's length, in relation to an application intended to be used exclusively outside Québec. To this effect, the corporation certificate will now have to specify the proportion of a corporation's gross revenue derived from activities included in the groups described under certain NAICS codes and that are covered by this change (two proportions must be determined).

When any one of these proportions is at least 50%, the rates applicable to the TCEB will correspond to half of the rates otherwise applicable for that taxation year, as shown in the table below. This change will apply to a taxation year that will begin after 31 December 2025.

Table B – Applicable TCEB[1] rates (per cent)

Source: Budget 2025-2026 – Additional information 2025-2026, 25 March 2025, p. A.36

	2024	2025	2026	2027	2028[2]
General rate					
Refundable tax credit	24.0	23.0	22.0	21.0	20.0
Non-refundable tax credit	6.0	7.0	8.0	9.0	10.0
TOTAL	**30.0**	**30.0**	**30.0**	**30.0**	**30.0**
Reduced rate – Outsourcing outside Québec					
Refundable tax credit	24.0	23.0	11.0	10.5	10.0
Non-refundable tax credit	6.0	7.0	4.0	4.5	5.0
TOTAL	**30.0**	**30.0**	**15.0**	**15.0**	**15.0**

1 A qualified corporation whose taxation year does not correspond to the calendar year must, in the calculation of its tax credits for a taxation year, take into account the rates in effect for the calendar year in which its taxation year begins.

2 Rates applicable to the 2028 calendar year will apply to subsequent years.

Changes to the refundable tax credit relating to mining or other resources

The budget proposes changes to the refundable tax credit relating to mining or other resources. These changes include:

- Adding development expenses relating to mining resources incurred in Québec to the eligible expenses for the tax credit, in respect of development expenses incurred after 25 March 2025. For greater clarity, the development expenses concerned will correspond to the Canadian development expenses that would be described in paragraphs b.0.2 and b.1 of section 408 of the *Taxation Act* if these paragraphs were to be read by replacing "Canada" with "Québec";

- Revising the tax credit rates applicable to eligible expenses relating to mining resources, in respect of eligible expenses incurred after 25 March 2025, as described in Table C below;
- Enhancing the rates applicable to projects related to critical and strategic minerals until 31 December 2029, in respect of eligible expenses incurred after 25 March 2025, but before 1 January 2030, and paid before 1 January 2030, as described in Table C below; and
- Introducing a limit on eligible expenses of $100 million per five-year period. This change will apply to a taxation year of an eligible corporation that begins after 25 March 2025. It should be noted that where a qualified corporation is a member of an associated group, the balance of cumulative eligible expense limit for the year will be subject to a sharing agreement between the members of the associated group in accordance with the usual rules. In addition, where eligible expenses are incurred as part of a joint venture, all eligible expenses relating to the expenses incurred as part of this joint venture will also be subject to a cumulative limit of $100 million. The balance of the cumulative eligible expense limit of a joint venture will be calculated as if the joint venture were a partnership whose fiscal period ends on 31 December.

Table C – Rates applicable after the day of the budget speech, but before 1 January 2030 (per cent)

Source: Budget 2025-2026 – Additional information 2025-2026, 25 March 2025, p. A.40

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 will be eligible for the enhanced rates until 31 December 2029. After that date, they will be eligible for the rates applicable to eligible expenses related to other mining resources.

[2] As of 1 April 2023, coal-related expenses are no longer eligible for the tax credit.

Consequential adjustments of the tax benefits relating to the flow-through share regime

The budget proposes the abolition of the additional deduction for certain exploration expenses incurred in Québec as well as the additional deduction in respect of certain surface mining exploration expenses incurred in Québec.

These amendments will apply to flow-through shares issued after 25 March 2025. However, they will not apply to shares issued after that day, but before 1 January 2026, when they are issued following an application for a receipt for a preliminary prospectus made on or before 25 March 2025. Similarly, the changes will not apply to shares issued after 25 March 2025 when they are issued following a public announcement made on or before that day, if the report of distribution form has been submitted to the Autorité des marchés financiers on or before 31 May 2025.

Consequential abolition of the additional capital gains exemption in respect of certain resource properties

The budget proposes the abolition of the additional capital gains exemption in respect of certain resource properties. Such abolition would be applicable in respect of a disposition occurring after 25 March 2025.

Extension of the refundable tax credit to support the digital transformation of print media companies

The budget proposes to extend the refundable tax credit to support the digital transformation of print media companies. Accordingly, the eligibility period for the refundable tax credit for qualified expenditures will end on 31 December 2025. In addition, if the expenditure relates to the acquisition of qualified property, the property must be acquired before 1 January 2025.

Abolition of the tax credit to foster synergy between Québec businesses

The budget proposes the abolition of the tax credit to foster synergy between Québec businesses:

- The tax credit will therefore be abolished as of 26 March 2025.
- Consequently, the *Act respecting the sectoral parameters of certain fiscal measures* will be amended so that Investissement Québec will not accept any new application for the issuance of an authorized investment certificate for the purposes of the synergy capital tax credit as of 26 March 2025.
- This abolition will not impact the eligibility of corporations that hold such a certificate or that have applied to Investissement Québec for the issuance of an authorized investment certificate on or before 25 March 2025. These corporations will be able to issue shares of their capital stock for an amount not exceeding the authorized investment amount indicated in their authorized investment certificate, and qualified investors acquiring these shares will be able to benefit from the synergy capital tax credit under the current rules.

Introducing a due date for additional deductions for public transit and shared transportation

The budget proposes to introduce a 31 December 2027 due date for the additional deductions relating to public transit and the organization of an intermunicipal shared transportation service. Accordingly, no amount may be deducted in computing the income of a taxpayer from a business in respect of amounts paid after 31 December 2027 in this regard.

Consequential adjustment providing for taxation of the benefit received from an employer in connection with the use of public transit or shared transportation services

The budget proposes to tax the value of a benefit received from an employer relating to the use of public transit or shared transportation. Accordingly, an individual must include, in computing their income, the value of the benefit received by the individual from their employer after 31 December 2027 in respect of an eligible transit pass, an eligible paratransit pass or the benefit resulting from the use of an intermunicipal shared transportation service.

Harmonization measures

The budget proposes to integrate, with adaptations, the measures presented in the federal government's *2024 Fall Economic Statement*[2] relating to:

- The exemption of the Canada Disability Benefit from tax;
- Capital gains rollover on investments;
- Reporting by non-profit organizations;
- The scientific research and experimental development (SR&ED) program, with respect to the eligibility of capital expenditures for the deduction relating to SR&ED expenditures;
- The extension of the accelerated investment incentive and immediate expensing measures; however, this extension will not apply to:
  - Property that is a qualifying intellectual property included in Class 14.1 and which becomes available for use before 2026;
  - The deduction for cumulative Canadian development expenses claimed by a development corporation carrying on a mining business; and
  - The deduction for cumulative Canadian development expenses incurred in Québec claimed by a development corporation carrying on an oil business.

[2] For more information, see EY Tax Alert 2024 Issue No. 63, *Federal Fall Economic Statement 2024*.

Measures relating to individuals

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2025 Québec personal income tax rates are summarized in Table D.

Table D – 2025 Québec personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate
$0 to $53,255	$53,256 to $106,495	$106,496 to $129,590	Over $129,590
14.00%	19.00%	24.00%	25.75%

For taxable income in excess of $129,950, the 2025 combined federal – Québec personal income tax rates are outlined in Table E.

Table E – Combined 2025 federal and provincial personal income tax rates

Bracket	Ordinary income[1]	Eligible dividends	Non-eligible dividends
$129,591 to $177,882	47.46%	32.04%	41.97%
$177,883 to $253,414[2]	50.23%	35.86%	45.16%
Over $253,414	53.31%	40.11%	48.70%

1 The rate on capital gains is one-half the ordinary income tax rate.

2 The federal basic personal amount comprises two elements: the base amount ($14,538 for 2025) and an additional amount ($1,591 for 2025). The additional amount is reduced for individuals with net income in excess of $177,882 and is fully eliminated for individuals with net income in excess of $253,414. Consequently, the additional amount is clawed back on net income in excess of $177,882 until the additional tax credit of $199 is eliminated; this results in additional federal income tax (e.g., 0.27% on ordinary income) on net income between $177,883 and $253,414.

Other personal tax measures

Enhancing the family allowance for bereaved parents

The budget proposes that family allowance payments as well as supplement for handicapped children (SHC) or supplement for handicapped children requiring exceptional care (SHCREC) payments, where applicable, be extended for 12 months from the month following the month that includes the day of an eligible dependent child's death. This measure applies in respect of a death occurring after 30 June 2025.

Changing the age requirement for eligibility for the refundable tax credit for child care expenses

As of the 2026 taxation year, the age of 16 included in the definition of "eligible child," for the purposes of the tax credit for child care expenses, will be reduced to 14.

Adjusting the term "practitioner" used in the personal income tax system

As of 1 January 2026, Québec tax legislation will be amended so that the term "practitioner" provided in the *Taxation Act* no longer includes homeopaths, naturopaths, osteopaths and phytotherapists.

New criteria for designating educational institutions recognized by Revenu Québec

As of 1 January 2026, for the purposes of the tax credit for tuition and examination fees, the budget proposes that an educational institution offering courses that furnish a person with skills for, or improve a person's skills in, an occupation, may be recognized by Revenu Québec only if it meets at least one of the first four criteria described below, and provided it is not excluded by the application of the exclusion criterion relating to the health sector (the last criterion below):

- It is an educational institution that receives government funding.
- It is a private educational institution that provides training equivalent to that provided in a public sector educational institution.
- It is a private educational institution that provides training for a profession or trade requiring certification or a licence issued by a government authority.
- It is an educational institution that provides training leading to a professional status recognized by the Québec Professional Code.
- Excludes educational institutions that do not meet certain requirements related to the health sector.

To maintain its recognition, each educational institution currently recognized by Revenu Québec will be required to complete the new prescribed form before 1 January 2026. As of 1 January 2026, the new prescribed form must be completed for all new applications for designation; applications must be renewed every five years.

As of the 2027 taxation year, educational institutions recognized by Revenu Québec will be required to issue an RL-8 slip indicating the amount of tuition fees paid by an individual. In addition, as of the 2026 taxation year, students who claim the tax credit will be required to certify, in their income tax return for the year, that they took the training in question to acquire or improve, as the case may be, the skills required to practise a profession.

Change to the deduction in respect of the cooperative investment plan

The budget proposes that the adjusted cost of a qualifying security for an individual will be the cost of that security, determined without taking into account borrowing costs and other costs related to the acquisition, instead of 125% of such cost. This measure will apply in respect of a qualifying security acquired after 25 March 2025.

Converting the residence deduction for a member of the clergy or of a religious order into a non-refundable tax credit

The budget proposes that the residence deduction for a member of the clergy or a religious order be converted into a non-refundable tax credit for taxation years after 2025. The unused portion of the new tax credit will not be transferable to a spouse. In addition, the tax credit will only have to be considered at 50% when calculating Québec alternative minimum tax.

Converting the deduction for adult basic education tuition assistance into a non-refundable tax credit

The budget proposes that the deduction for adult basic educational tuition assistance be replaced by a non-refundable tax credit for taxation years after 2025. The unused portion of the new tax credit will not be transferable to a spouse. In addition, the tax credit will be considered at 100% when calculating the Québec alternative minimum tax.

Abolition of various measures

The budget proposes to abolish the following measures:

- The tax shield, as of the 2026 taxation year;
- The non-refundable tax credit for political contributions, for all contribution made as of the 2026 taxation year;
- The foreign researcher tax holiday, as of 26 March 2025;
- The foreign expert tax holiday, as of 26 March 2025;
- The tax holiday for foreign specialists assigned to operations of an international financial centre, as of 26 March 2025;
- The tax holiday for foreign specialists working in the financial services sector, as of 26 March 2025;
- The tax holiday for seamen engaged in international transportation of freight, as of 26 March 2025;
- The tax credit for patronage gift, as of 26 March 2025; and

- The deduction relating to the acquisition of an income-averaging annuity respecting income from artistic activities for new income-averaging annuities acquired after the 2025 taxation year (subject to transitional rules).

The abolition of the above-mentioned tax holidays will not however impact the eligibility of individuals for whom a researcher, expert or specialist qualification certificate is already held by the eligible employer (or for whom certificates have already been issued in the case of seamen) or for whom an application for the issuance has been filed by the eligible employer (or an application for the issuance of a certificate in the case of seamen) on or before 25 March 2025.

For greater clarity, an individual, or the individual's succession, who will have registered a pledge on or before 25 March 2025 will continue to benefit from the cultural patronage tax credit in respect of such donation.

Measures relating to consumption taxes

Tax on insurance premiums

The budget proposes to set the tax rate on insurance premiums at the same rate as the Québec sales tax (9.975%). This increase will apply to all insurance premiums paid after 31 December 2026.

Fuel tax

The budget proposes to abolish the fuel tax refund for biodiesel that is not mixed with another type of fuel at the time of its acquisition. This change will apply for biodiesel acquired after 25 March 2025.

Tobacco tax

The budget proposes that legislative or regulatory amendments be made to efficiently detect new tobacco smuggling schemes, increase pressure on smugglers and facilitate investigative and prosecution work by ACCES (Actions concertées pour contrer les économies souterraines) tobacco partners.

Other tax measures

Contributions to the Health Services Fund (HSF)

The budget proposes to remove, as of 2026, the automatic annual indexation of the total payroll threshold used to determine the eligibility for the reduction of the HSF contribution rate offered to SMBs.

Public utility tax (PUT)

The budget proposes the following changes:

- The gradual increase of certain PUT rates as of the 2027 calendar year until 2035.
- The PUT exemption will be granted for certain municipal or public bodies similarly to municipalities (an operator who meets the conditions to benefit from the PUT exemption for a calendar year in respect of which the operator has already paid the PUT may be able to benefit from this tax exemption in respect of that calendar year if the operator files a written request for a refund, on or before 30 June 2026).
- As of the 2025 calendar year, the PUT refund for a municipality or a municipal or public body for which the exemption does not apply (where the municipality or the body operates a public service network through a corporation or a partnership with other shareholders or members that are not municipalities or municipal or public bodies).

Capital régional et coopératif Desjardins

The budget proposes the following changes:

- Setting the annual capitalization limit applicable for the acquisition periods between 1 March 2025 and 28 February 2030, so that the rate of increase more closely matches the pace of growth in the Québec economy.
- Introducing a cumulative subscription ceiling of $45,000 for each current and future shareholder, as of 26 March 2025 (subject to certain exceptions).
- Introducing a new class of shares with a maximum holding period of 14 years, entitling the holder to a non-refundable tax credit calculated at a reduced rate of 25% (the tax credit may reach a maximum amount of $1,250)

Additional registration fee for luxury vehicles

The budget proposes to raise the threshold for the additional registration fee for luxury vehicles from $40,000 to $62,500; in addition, the exemption applicable to electric vehicles and plug-in hybrids will be withdrawn. These measures will apply as of 1 January 2027.

Contribution for electric and plug-in hybrid vehicles

The budget proposes to introduce an annual contribution for electric vehicles ($125) and plug-in hybrid vehicles ($62.50) as of 1 January 2027. This contribution will be indexed annually.

Tax compliance with respect to foreign property held by Quebecers

The budget proposes to introduce a new reporting requirement for foreign property held outside Canada using a new prescribed form to be completed and filed with Revenu Québec for a taxation year or fiscal period, as the case may be. This measure will apply as of a date to be determined after the assent of the bill giving it effect.

Designated foreign property subject to the new reporting requirement will be essentially the same as foreign property subject to the federal tax legislation and reported using form T1135. Similarly, the terms "reporting entity", and "designated Québec entity" will be similar to the terms "reporting entity" and "specified Canadian entity" provided for in the federal tax legislation (including the threshold of $100,000 for the cost amount of designated foreign property).

The new Québec prescribed form will need to be filed with Revenu Québec by a reporting entity on or before the same filing-due date as that of the tax return applicable to the reporting entity for the year.

The following penalties, which are equivalent to the federal penalties, will be introduced:

- A penalty for failing to file the new Québec form of $500 per month (or part of a month) for a maximum of 24 months, that is, a maximum of $12,000, and, where the entity has been given formal notice to file the new return and has failed to meet the deadline, the double of that amount;
- An additional penalty for failing to file the report for more than 24 months set at 5% of the total cost of the designated foreign property; and
- A penalty in the case of false statement or omission equal to or higher than $24,000 or 5% of the total cost of designated foreign property.

The budget also proposes to introduce an extension of three years after the end of the normal assessment period for assessment or reassessment.

Learn more

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