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Quebec Budget 2013-2014

By Cyrus Reporter

Introduction

The Honourable Nicolas Marceau, Quebec's Minister of Finance and Economy, today tabled the first Parti Quebecois (PQ) budget, or "economic blueprint" since having taken office this past September. The 2013-2014 Budget has been presented much earlier than anticipated. The recently elected Premier of Quebec, Pauline Marois, has suggested an early budget was necessary so as to address Quebec's \$1.6 billion deficit. More likely, however, this is an attempt by the Marois government to limit the prospect of another election in the context of a minority government.

Highlights

The PQ government endeavoured to stay true to elements of their leftist electoral platform while balancing fiscal realities and adopting several austerity measures. The budget centered on three themes: "families, private investment, and responsible government." The province plans to eliminate the \$.1.6 billion deficit by 2013-2014.

1. Families

- 4.4 million Quebecers will no longer pay a Health Contribution, or see a decrease in tax burden.
- A previous increase of 20% in electricity rates in 2014 is being rescinded, but increases are not entirely abolished.
- Tax credits are being issued for physical, artistic and cultural activities for young people.
- The controversial tuition hike which triggered the election that brought down

the Quebec Liberal Charest government is being cancelled.

- 28,000 reduced contribution childcare spaces will be created by 2016-2017.
- 3000 social and community affordable housing units will be built.

2. Private Investment

- The tax holiday for investments (THI) will apply to businesses with new projects of \$300 million or more that are approved within the next three years. Projects must be in one of the eligible strategic sectors: manufacturing, including mineral and wood processing, value-added distribution centres, and data processing and hosting.
- The tax credit for investments relating to manufacturing and processing equipment which was implemented in Budget 2008-2009, was to expire on December 31, 2015. It is being extended until December 31, 2017. It is designed to foster the acquisition of new manufacturing and processing equipment used in the manufacturing sector.
- The government plans to create the “Banque de développement économique du Québec.” The government backed lender will manage; the regionalized development fund with an annual budget of \$500 million for regional development initiatives, and two funds, totalling \$250 million, for supporting the Mauricie and Centre-du-Québec regions and the Asbestos region.
- Two sector based initiatives are introduced; A \$200-million fund to stimulate the transportation electricity, and green technology development, and several measures geared to foster development and job creation in the biopharmaceutical sector.

3. Responsible Government

- Strict control in spending, with program growth being limited to 1.8% in 2013-2014 and to 2.4% in 2014-2015. This will be spread across all government departments.
- Crown Corporations such as Hydro-Québec, the Société des alcools du Québec and Loto-Québec will be instructed to find cost savings, improve efficiencies, and or increase revenues.
- Government revenues are to be boosted by new taxes on Tobacco & Alcohol products, as well as the extension of imposed contributions on financial institutions to be extended until March 31, 2019.
- The government endeavours to improve the management of infrastructure projects by; introducing new legislation that will address healthy competition and integrity in public contracts, improving the management of infrastructure projects, and capping infrastructure investments.
- The government plans to maintain its objective of reducing the gross debt to 45% of GDP and that of reducing the debt representing accumulated deficits to 17% of GDP in 2026.

Reaction

The Quebec opposition parties have already signalled that in its current form, the budget is not acceptable. The Coalition Party (CAQ) of Francois Legault indicated it would not support the budget without significant amendments, while Former Liberal finance Minister Raymond Bachand has stated he opposed the budget, but insisted the final decision rests with the Quebec Liberal caucus. Some measures at issue for the opposition parties are: an income-tax hike for higher earners, the accusation that the PQ is hiding an additional \$1.8 billion deficit, and for the CAQ more specifically, the fact that the government is not abolishing the health tax and plans to raise hydro rates.

The PQ government currently holds only 54 of the National Assembly's 125 seats and will require the support of at least one opposition party to pass its budget. The Quebec Liberals are unlikely to follow-through on their threats as they have yet to formally select a party leader and as such, will likely seek to negotiate amendments. Therefore, the budget is expected to pass.

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