

BUDGET 2022-2023

# YOUR GOVERNMENT

ADDITIONAL

INFORMATION

March 2022

**BUDGET 2022-2023**

# **YOUR GOVERNMENT**

**ADDITIONAL**

**INFORMATION**

**March 2022**

Budget 2022-2023  
Additional Information

Legal deposit – March 22, 2022  
Bibliothèque et Archives nationales du Québec  
ISBN 978-2-550-91393-1 (Print)  
ISBN 978-2-550-91394-8 (PDF)

© Gouvernement du Québec, 2022

## **ADDITIONAL INFORMATION**

### **Section A**

Additional information on the fiscal measures

### **Section B**

Action plan to ensure tax fairness

### **Section C**

Report on the application of the legislation respecting a balanced budget and the Generations Fund

### **Section D**

Measures requiring legislative or regulatory amendments



# Section A

## ADDITIONAL INFORMATION ON THE FISCAL MEASURES

<b>1. Measures concerning individuals .....</b>	<b>A.3</b>
1.1 Introduction of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living .....	A.3
1.2 Perpetuation of the tax credit for a major cultural gift .....	A.6
1.3 Extension of the refundable tax credit for the upgrading of residential waste water treatment systems .....	A.7
<b>2. Measures concerning businesses .....</b>	<b>A.9</b>
2.1 Extension of the temporary increase in the tax credit relating to investment and innovation .....	A.9
2.2 Introduction of the refundable tax credit for the production of biofuel in Québec .....	A.11
2.3 Extension of and changes to the refundable tax credit for the production of pyrolysis oil in Québec .....	A.22
<b>3. Other measure .....</b>	<b>A.33</b>
3.1 Amendment to the rules governing the interruption of the prescription period .....	A.33



# 1. MEASURES CONCERNING INDIVIDUALS

## 1.1 Introduction of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living

When the *Update on Québec's Economic and Financial Situation*<sup>1</sup> was presented on November 25, 2021, the government introduced a refundable tax credit granting an exceptional allowance to mitigate the significant increase in the cost of living that occurred at the end of 2021. This tax assistance was paid at the beginning of 2022 to low- and middle-income households based on their eligibility for the refundable solidarity tax credit at the end of the reference year 2020, that is, households receiving this tax credit for the payment period beginning on July 1, 2021 and ending on June 30, 2022.

Since last November's economic update, the upward trend in consumer prices is maintained, which will further erode the purchasing power of Québec taxpayers throughout 2022.

Therefore, in order to support Québec taxpayers facing this persistent increase in the cost of living, additional tax assistance, called the "refundable tax credit granting a one-time amount to mitigate the increase in the cost of living" will be introduced. The amount of this financial assistance will be granted in a single instalment to more than six million Quebecers in the next quarter.

### ☐ Determination of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living

In summary, an eligible individual will be entitled, in the 2022 calendar year, to the payment of an amount of up to \$500 in respect of a refundable tax credit granting a one-time amount to mitigate the increase in the cost of living. This amount will be reducible on individual net income in excess of \$100 000 for the 2021 calendar year.

This lump-sum assistance will be provided to all eligible adults who have filed their income tax return for the 2021 calendar year with Revenu Québec.

### ■ Eligible individual

An eligible individual, for the purposes of this refundable tax credit, means an individual who, at the end of December 31, 2021, met the following conditions:

- the individual was at least 18 years old, or an emancipated minor, or a minor who is the father or mother of a child with whom he or she resides;
- the individual was residing in Québec;
- the individual had one of the following statuses:
  - a Canadian citizen,

---

<sup>1</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin* 2021-8, November 25, 2021, pp. 3-7.



- a permanent resident within the meaning of the *Immigration and Refugee Protection Act*,<sup>2</sup>
  - a temporary resident or temporary resident permit holder within the meaning of the *Immigration and Refugee Protection Act* who has resided in Canada for the 18-month period preceding that time,
  - a protected person within the meaning of the *Immigration and Refugee Protection Act*,
  - a person on whom refugee protection is conferred in Canada by the competent Canadian authority in accordance with the *Immigration and Refugee Protection Act*,
- the individual was not an excluded individual.

## ■ Excluded individual

For the purposes of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living, an excluded individual means one of the following individuals:

- a person who is exempt from tax under any of sections 982 and 983 of the *Taxation Act* or any of subparagraphs *a* to *d* and *f* of the first paragraph of section 96 of the *Tax Administration Act* for the 2021 calendar year;<sup>3</sup>
- at the end of the 2021 calendar year, a person who is detained in a prison or similar institution<sup>4</sup> and who has been so detained throughout one or more periods, totalling more than 183 days, included in that year.

For greater clarity, an individual who is granted a temporary leave of absence from the prison or similar institution in which the individual is incarcerated will be deemed to be detained in that prison or similar institution for each day of the year during which the individual was granted such a leave.

## ■ Amount paid

The amount of the one-time tax assistance paid under the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living will be \$500 when the individual's personal net income,<sup>5</sup> for the 2021 calendar year, does not exceed \$100 000.

---

<sup>2</sup> S.C. 2001, c. 27.

<sup>3</sup> These provisions apply, among others, to public servants or agents of the government of a country other than Canada, and the members of their families and personnel; the head officers of prescribed international organizations, and their employees and the members of their families; the representatives of member States on prescribed international organizations, and the members of their families and personnel; and the members of an office of a political division of a foreign State, and the members of their families.

<sup>4</sup> Briefly, a similar institution means a provincial (jail) or federal (penitentiary) detention facility, a halfway house or a psychiatric institution if the stay in such an institution is part of the prison sentence.

<sup>5</sup> This is the net income reported on line 275 of the TP-1 tax return.

Where the individual's personal net income for the 2021 calendar year exceeds \$100 000, but does not exceed \$105 000, the one-time \$500 amount will be reduced based on a 10% rate applicable to the amount by which the individual's personal net income for the 2021 calendar year exceeds \$100 000.

The amount of the refundable tax credit to be paid in 2022 will therefore be the amount determined as follows:

- if the individual's personal net income for the 2021 calendar year is less than or equal to \$100 000:
  - a fixed amount of \$500;
- if the individual's personal net income for the 2021 calendar year is greater than \$100 000, but not more than \$105 000:
  - $\$500 - [10\% \times (\text{individual's personal net income for the 2021 calendar year} - \$100\,000)]$ .

The table below illustrates the calculation of the one-time amount to mitigate the increase in the cost of living.

TABLE A.1

**Calculation of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living**

(dollars, unless otherwise indicated)

Individual's income		Calculation of the tax credit	Amount for 2022
Less than or equal to	Greater than		
100 000	—	Fixed amount of 500	500
—	100 000	$500 - [10\% \times (\text{individual's personal net income for 2021} - 100\,000)]$	0 to 499.99
—	105 000	—	0

## ■ Payment of the refundable tax credit

An individual who is eligible for the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living will receive the amount of the one-time tax assistance<sup>6</sup> without having to apply for it, provided that the individual has filed his or her income tax return for the 2021 calendar year with Revenu Québec.

Therefore, as of the day following the date of the budget speech, Revenu Québec will process income tax returns for the 2021 calendar year by adding the refundable tax credit.

<sup>6</sup> Regardless of the date of payment of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living, no interest will be payable on it.

Where, on the date of the budget speech, the notice of assessment for the 2021 calendar year has already been issued to an individual by Revenu Québec, a new notice of assessment for the 2021 calendar year will be sent to the individual to include the refundable tax credit.

## ■ Other specific rules applicable to the payment

### ■ Application of allocation and compensation rules

Under the *Tax Administration Act*,<sup>7</sup> where an individual entitled to a refund by reason of the application of a fiscal law is also a debtor under such a law or about to become so, the Minister of Revenue may apply such refund to the payment of the debt of that person, up to the amount of such debt, and give him notice of it.

The refund may also be allocated to the payment of any amount for which that individual is in debt to the State under an Act other than a fiscal law set out in the *Regulation respecting fiscal administration*.<sup>8</sup>

For the application of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living, the allocation and compensation rules will apply accordingly.

### ■ Terms of application in the event of bankruptcy

Under the tax legislation, where an individual becomes bankrupt in a calendar year, the individual is deemed to have two taxation years in that calendar year. The first taxation year runs from January 1 to the day before the date of bankruptcy (pre-bankruptcy taxation year) and the second taxation year runs from the date of bankruptcy to December 31 of that taxation year (post-bankruptcy taxation year).

In addition, the tax assistance paid in respect of the refundable tax credit granting a one-time amount to mitigate the increase in the cost of living will be deemed to be an amount paid to the Minister of Revenue on account of the tax payable for the 2021 calendar year.

Therefore, where an individual has become bankrupt in the 2021 calendar year, the amount of the refundable tax credit will be considered to be tax deemed to have been paid on account of tax payable for the taxation year beginning after the individual's bankruptcy (post-bankruptcy taxation year) that occurred in the 2021 taxation year, making the individual eligible for the tax credit.

## 1.2 Perpetuation of the tax credit for a major cultural gift

In order to increase major donations in the cultural sector, the additional tax credit of 25% for a major cultural gift was introduced with the publication of *Information Bulletin 2013-6*.<sup>9</sup>

---

<sup>7</sup> *Tax Administration Act*, s. 31.

<sup>8</sup> CQLR, chapter A-6.002, r. 1, s. 31R1.

<sup>9</sup> MINISTÈRE DES FINANCES ET DE L'ÉCONOMIE DU QUÉBEC, *Information Bulletin 2013-6*, July 3, 2013, pp. 6-9.

This tax credit,<sup>10</sup> of up to \$6 250, is available to individuals, under certain conditions, in relation to a donation made to an eligible cultural donee<sup>11</sup> before January 1, 2023.<sup>12</sup>

More specifically, an individual, other than a trust, may claim, for a taxation year, in addition to the tax credit for gifts, a non-refundable tax credit corresponding to 25% of the eligible amount of a gift of money of at least \$5 000, and of up to \$25 000, made by the individual or the individual's succession to an eligible cultural donee. However, an individual may claim this tax credit for only one major cultural gift.<sup>13</sup>

With a view to perpetuate this support for the financing of the cultural sector, the tax legislation will be amended to remove the deadline for making a donation so that it can be recognized as a major cultural gift, thereby making the tax credit for a major cultural gift permanent.

### **1.3 Extension of the refundable tax credit for the upgrading of residential waste water treatment systems**

Waste water from isolated dwellings poses significant risks to human health and the environment if it is not properly treated before being released. Since this water contains contaminants, coming into direct contact with the contaminants or ingesting them can cause different pathologies. These contaminants can also alter the water quality of lakes and waterways, as well as the health of aquatic life.

To prevent these risks, the *Regulation respecting waste water disposal systems for isolated dwellings*<sup>14</sup> has regulated, for over 40 years, the design, construction and operation of waste water treatment systems of residences.

To financially assist owners who must undertake work to upgrade their septic systems, the refundable tax credit for the upgrading of residential waste water treatment systems was introduced on a temporary basis as part of the March 2017 budget speech.<sup>15</sup>

---

<sup>10</sup> *Taxation Act*, s. 752.0.10.6.1.

<sup>11</sup> An eligible cultural donee is one of the following entities: a registered charity operating in Québec in the fields of arts or culture, a registered cultural or communications organization, a registered museum, a museum established under the *National Museums Act* (CQLR, chapter M-44), or a museum situated in Québec and established under the *Museums Act* (S.C. 1990, c. 3).

<sup>12</sup> A donation originally had to be made by January 1, 2018, to qualify as a major cultural gift. However, the eligibility period was extended by five years. This extension was announced as part of the 2018-2019 budget speech. For more information: MINISTÈRE DES FINANCES DU QUÉBEC, *The Québec Economic Plan – Additional Information 2018-2019*, March 27, 2018, pp. A.42-A.43.

<sup>13</sup> Nevertheless, when several gifts are made during the same year to the same eligible cultural donee, they are deemed to be a single gift.

<sup>14</sup> CQLR, chapter Q-2, r. 22.

<sup>15</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *The Québec Economic Plan – Additional Information 2017-2018*, March 28, 2017, pp. A.17-A.22. This credit is set out in Division II.26 of Title III of Book IX of Part I of the *Taxation Act* and is called therein the “credit for the repair of septic systems.”

With a maximum value of \$5 500 per eligible dwelling, the financial assistance provided by the refundable tax credit for the upgrading of residential waste water treatment systems corresponds to 20% of the portion of eligible expenses, exceeding \$2 500, that an individual has paid under a service agreement entered into before April 1, 2022, to have recognized work carried out to upgrade the waste water treatment systems of the individual's principal residence or cottage suitable for year-round occupancy.

### **❑ Extension of the eligibility period**

In order to encourage a greater number of owners to undertake repair work on their septic systems, the period during which a service agreement may be entered into with a qualified contractor, for the application of the refundable tax credit for the upgrading of residential waste water treatment systems, will be extended by five years, that is, until March 31, 2027.

The extension of the refundable tax credit for the upgrading of residential waste water treatment systems will benefit individuals who have such work carried out by a qualified contractor under a service agreement entered into after March 31, 2022 and before April 1, 2027.

### **❑ Determination of the tax credit**

An individual, other than a trust, who is a resident in Québec at the end of December 31 of a particular taxation year preceding the 2028 taxation year, but after the 2022 taxation year, may claim, for that year, a refundable tax credit for recognized work in relation to a particular eligible dwelling owned by the individual, in an amount equal to the lesser of the following amounts:

- the amount obtained by multiplying 20% by the amount by which the individual's eligible expenditures for that particular year, in relation to an eligible dwelling of the individual, exceeds the amount by which \$2 500 exceeds the aggregate of all amounts each of which is the individual's eligible expenditure, in relation to the eligible dwelling, for any taxation year after the year 2016 and before the particular year;
- the amount by which \$5 500 exceeds the aggregate of all amounts each of which is an amount that the individual, or a person with whom the individual owns the eligible dwelling, is deemed to have paid to the Minister in relation to the tax credit for any taxation year preceding the particular year.

Moreover, for information purposes, the other terms and conditions for the application of the refundable tax credit for the upgrading of residential waste water treatment systems will remain unchanged.

## **2. MEASURES CONCERNING BUSINESSES**

### **2.1 Extension of the temporary increase in the tax credit relating to investment and innovation**

On March 10, 2020,<sup>16</sup> the tax credit relating to investment and innovation was introduced to encourage productivity gains of businesses in all regions of Québec, while further promoting investments in regions where the economic vitality index is low.

Briefly, the tax credit relating to investment and innovation is granted to a qualified corporation<sup>17</sup> that acquires, after March 10, 2020, and before January 1, 2025, manufacturing or processing equipment, general-purpose electronic data processing equipment or certain management software packages. It is calculated on the portion of the specified expenses incurred to acquire a specified property in excess of \$5 000 or \$12 500, depending on the nature of the property.<sup>18</sup>

The specified expenses in respect of which a qualified corporation may claim the tax credit may not, however, exceed a cumulative limit of \$100 million calculated over a five-year period.

The tax credit relating to investment and innovation to which a qualified corporation is entitled, for a taxation year, may be refundable, in whole or in part, or non-refundable. The refundable portion of the tax credit is determined based on the qualified corporation's assets and gross income.

---

<sup>16</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2020-2021 – Additional Information*, March 10, 2020, pp. A.3-A.18.

<sup>17</sup> A qualified corporation that is a member of a qualified partnership may, under certain conditions, claim the tax credit relating to investment and innovation on its share of specified expenses incurred by the qualified partnership.

<sup>18</sup> The \$5 000 exclusion threshold applies in respect of specified property that is general-purpose electronic data processing equipment or that is a qualifying management software package. The \$12 500 exclusion threshold applies to other specified property.

The tax credit rate applicable to a qualified corporation in respect of a specified property is established based on the territory where the property is acquired to be used mainly, that is, a territory with low economic vitality,<sup>19</sup> a territory with intermediate economic vitality,<sup>20</sup> or a territory with high economic vitality.<sup>21</sup>

On March 25, 2021,<sup>22</sup> it was announced that the tax credit rates would be temporarily doubled to encourage Québec businesses to carry out their investment projects and to accelerate Québec's economic recovery. It was then planned that this temporary increase would end on December 31, 2022.

However, due to the economic situation, Québec businesses still have to deal with a high level of uncertainty, particularly with regard to their investment projects and interest rates.

In order to continue the government's support for business investment, the temporary increase in the tax credit relating to investment and innovation will be extended by one year, that is, until December 31, 2023. With this additional measure, the government wishes to continue to support Québec's economic recovery and encourage wealth creation.

The table below sets out the rates of the tax credit relating to investment and innovation that will be applicable following the extension based on the territory where the specified property is acquired to be used mainly and the date on which the specified expenses are incurred.

---

<sup>19</sup> The expression "territory with low economic vitality" refers to one of the following regional county municipalities (RCMs): Antoine-Labelle, Argenteuil, Avignon, Bonaventure, Charlevoix-Est, Domaine-du-Roy, La Haute-Côte-Nord, La Haute-Gaspésie, La Matanie, La Matapédia, La Mitis, La Vallée-de-la-Gatineau, Le Golfe-du-Saint-Laurent, Le Rocher-Percé, Les Basques, Les Etchemins, Les Sources, Maskinongé, Maria-Chapdelaine, Matawinie, Mékinac, Papineau, Pontiac and Témiscouata, as well as the agglomeration of La Tuque and the city of Shawinigan. It also refers, until March 31, 2023, to the Appalaches and La Côte-de-Gaspé RCMs and the Communauté maritime des Îles-de-la-Madeleine. (See note 16, p. A.12; MINISTÈRE DES FINANCES DU QUÉBEC, *Information Bulletin 2021-5*, June 30, 2021, pp. 5-7).

<sup>20</sup> The expression "territory with intermediate economic vitality" refers to a territory in Québec that is neither a territory with high economic vitality nor a territory with low economic vitality.

<sup>21</sup> The expression "territory with high economic vitality" refers to a municipality listed in Schedule I to the *Act respecting the Communauté métropolitaine de Montréal* (CQLR, chapter C-37.01) or in Schedule A to the *Act respecting the Communauté métropolitaine de Québec* (CQLR, chapter C-37.02).

<sup>22</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *Budget 2021-2022 – Additional Information*, March 25, 2021, pp. A.12-A.14.

TABLE A.2

**Rates of the tax credit relating to investment and innovation**  
(per cent)

<b>Territory where the property is acquired to be used mainly</b>	<b>Rates applicable after March 10, 2020 and before March 26, 2021</b>	<b>Rates applicable after March 25, 2021 and before January 1, 2024</b>	<b>Rates applicable after December 31, 2023 and before January 1, 2025</b>
Territory with low economic vitality	20	40	20
Territory with intermediate economic vitality	15	30	15
Territory with high economic vitality	10	20	10

### **❑ Application date**

Following its extension, the temporary increase of the tax credit rates will apply in respect of specified expenses incurred after March 25, 2021 and before January 1, 2024, for the acquisition of a specified property after March 25, 2021 and before January 1, 2024, or for the acquisition of a specified property after March 25, 2021 and before April 1, 2024, where:

- the property will have been acquired in accordance with a written obligation contracted before January 1, 2024; or
- the construction of the property by or on behalf of the corporation or partnership has started before January 1, 2024.

As initially announced, however, this temporary increase does not apply to a property:

- acquired in accordance with a written obligation contracted on or before March 25, 2021;
- the construction of which by or on behalf of the corporation or partnership had started on March 25, 2021.

## **2.2 Introduction of the refundable tax credit for the production of biofuel in Québec**

To achieve its greenhouse gas (GHG) emission reduction objectives, the Québec government has implemented several incentive measures applicable, among others, to the transportation, innovation and energy efficiency sectors. Some of these initiatives are in line with the government's desire to encourage the production of alternative fuels, which leave a more neutral carbon footprint on the environment.



In this regard, the refundable tax credit for the production of ethanol in Québec,<sup>23</sup> the refundable tax credit for cellulosic ethanol production in Québec,<sup>24</sup> and the refundable tax credit for the production of biodiesel fuel in Québec<sup>25</sup> have been announced over the last years. However, these tax credits will expire on March 31, 2023.

In order to increase its efforts in the fight against climate change, the government has agreed to review its approach to tax assistance for biofuel production. Accordingly, the tax legislation will be amended to include the refundable tax credit for the production of biofuel in Québec.

In summary, a qualified corporation will be able to claim this tax credit in respect of eligible biofuels that it produces in Québec for sale and use in Québec, up to a maximum of 300 million litres per year. The tax credit will be available from April 1, 2023 to March 31, 2033.

It will be granted for the production of biofuels eligible for tax assistance under the current terms of the Québec tax system, that is, ethanol, cellulosic ethanol and biodiesel fuel, as well as for the production of other low-carbon-intensity fuels produced from eligible materials such as organic matter, except for biofuels used to power aircraft, boats, or ships.

The rate of the tax credit will be determined according to various factors so that the level of tax assistance applicable to an eligible biofuel produced by a qualified corporation will increase according to the decrease in carbon intensity observed for that biofuel compared to the gasoline or diesel fuel that it replaces.

Also, given the introduction of this new tax credit, the tax credits currently provided for in the Québec tax system will not be renewed.

### **☐ Qualified corporation**

The tax legislation will therefore be amended so that a qualified corporation means, for a taxation year, for the purposes of the refundable tax credit for the production of biofuel in Québec, a corporation, other than an excluded corporation for the year, that, in the year, has an establishment in Québec where it carries on a business engaged in the production of biofuel and that holds a qualification certificate issued by the Minister of Energy and Natural Resources for the purposes of that tax credit, for that year or a preceding taxation year, in respect of a biofuel included in its eligible production of biofuel for a particular month in the taxation year.

### **■ Excluded corporation**

An excluded corporation, for a taxation year, means a corporation that is exempt from tax for the year, a Crown corporation or a wholly controlled subsidiary of such a corporation.

---

<sup>23</sup> This measure is set out in Division II.6.0.8 of Chapter III.1 of Title III of Book IX of Part I of the *Taxation Act*.

<sup>24</sup> This measure is set out in Division II.6.0.9 of Chapter III.1 of Title III of Book IX of Part I of the *Taxation Act*.

<sup>25</sup> This measure is set out in Division II.6.0.9.1 of Chapter III.1 of Title III of Book IX of Part I of the *Taxation Act*.

## ❑ Qualification certificate

The *Act respecting the sectoral parameters of certain fiscal measures* will be amended so that, in order to benefit from the tax credit in respect of a biofuel that the corporation produces in a taxation year, the corporation will be required to obtain, for that taxation year, a qualification certificate issued by the Minister of Energy and Natural Resources certifying that the biofuel is an eligible biofuel for the purposes of the tax credit.

The qualification certificate so issued, for a taxation year, will identify the eligible biofuel and certify its carbon intensity and high heating value for the taxation year. Similarly, the qualification certificate will need to identify, between gasoline or diesel fuel, the fuel that the eligible biofuel is replacing.

## ❑ Eligible biofuel

The term “eligible biofuel” will refer to a low-carbon-intensity fuel that is a liquid fuel under standard conditions,<sup>26</sup> is produced from eligible materials, can be blended with gasoline or diesel fuel and for which the Minister of Energy and Natural Resources has issued a qualification certificate to the corporation that produces it for the taxation year in which it was produced.

For this purpose, a biofuel will be produced from eligible materials if it is produced from one or more of the following materials:

- an organic material;
- residual materials within the meaning of section 1 of the *Environment Quality Act*;<sup>27</sup>
- carbon monoxide (CO) or carbon dioxide (CO<sub>2</sub>).

Moreover, a material from an oil palm will not be an eligible material for the purposes of the tax credit.

## ❑ Carbon intensity of a biofuel

The carbon intensity of a biofuel, for the taxation year in which the biofuel was produced, will be the amount of GHGs emitted during the life cycle activities of the fuel relative to the energy produced during its combustion, expressed in grams of carbon dioxide (CO<sub>2</sub>) equivalent per megajoule of energy produced (g CO<sub>2</sub>eq/MJ) and will be the value determined in respect of the biofuel for the calendar year ended in the taxation year.

<sup>26</sup> The expression “standard conditions” means a temperature of 15.6 °C and a pressure of 101.325 kPa.

<sup>27</sup> CQLR, chapter Q-2. For the purposes of this Act, the expression “residual materials” means “any residue resulting from a production, treatment or utilization process and any substance, material or product or, more generally, any object that is discarded or that the holder intends to discard.”

A corporation must calculate the carbon intensity of the biofuel it produces using the GHGenius software, version 4.03c, in accordance with section III of the *Order of the Minister of Energy and Natural Resources concerning the measurement methods and tools for the purposes of the Regulation respecting the integration of low-carbon-intensity fuel content into gasoline and diesel fuel*.<sup>28</sup> It will be required to submit its calculation to the Minister of Energy and Natural Resources.

If the corporation is unable to calculate the carbon intensity of the biofuel using the GHGenius software in the manner set out above, then the corporation may use an alternative method of calculating the carbon intensity of that biofuel. The alternative method must be submitted to the Minister of Energy and Natural Resources in advance, and must be to the satisfaction of the Minister.

If the corporation did not produce that biofuel in the calendar year ended in the taxation year or that no calendar year ended in the taxation year, then the carbon intensity of the biofuel, for the taxation year, will be calculated for that taxation year.

The Minister of Energy and Natural Resources will certify, for a taxation year, the carbon intensity of the biofuel produced by the corporation in that taxation year.

### **□ High heating value of a biofuel**

The high heating value of a biofuel, for the taxation year in which the biofuel was produced, will be the amount of heat supplied by the complete combustion of a unit mass of fuel, determined in respect of the biofuel for the calendar year ending in the taxation year. It will be expressed in megajoules of energy produced per litre (MJ/L).

A corporation will be required to determine the high heating value of the eligible biofuel it produces, for a taxation year, using the GHGenius software, version 4.03c, and submit this value to the Minister of Energy and Natural Resources.

If the corporation is unable to determine the high heating value of the biofuel using the GHGenius software as set out above, then the corporation may use an alternative method of determining the high heating value of that biofuel. The alternative method must be submitted to the Minister of Energy and Natural Resources in advance, and must be to the satisfaction of the Minister.

If the corporation did not produce that biofuel in the calendar year ended in the taxation year or that no calendar year ended in the taxation year, then the high heating value of the biofuel, for the taxation year, will be determined for that taxation year.

The Minister of Energy and Natural Resources will certify, for a taxation year, the high heating value of the biofuel produced by the corporation for that taxation year.

---

<sup>28</sup> Order Number 2021-006 of the Minister of Energy and Natural Resources dated December 3, 2021, (2021) 50 G.O.Q. II, December 15, 2021, 5105. The GHGenius tool, version 4.03c, is a software program available upon request from Environment and Climate Change Canada that is used to determine the carbon intensity of low-carbon-intensity content and the baseline carbon intensity of gasoline and diesel fuel. See section 4 of the Order.

## ❑ Determination of the refundable tax credit

The refundable tax credit of a qualified corporation, for a taxation year, will be equal to the aggregate of all amounts, each of which is determined in respect of an eligible biofuel of the corporation for a particular month of the taxation year, according to the following formula:

$$A \times B$$

For the purposes of this formula:

- A is, in respect of the eligible biofuel, the lesser of the following number of litres:
  - the corporation's eligible production of biofuel for the particular month in respect of that eligible biofuel,
  - the corporation's monthly ceiling on the production of biofuel for the particular month attributable to that eligible biofuel;
- B is the tax credit rate, for the taxation year, applicable to that eligible biofuel.

## ■ Eligible production of biofuel

The eligible production of biofuel of a qualified corporation in respect of an eligible biofuel, for a particular month of a taxation year, will mean the number of litres of that biofuel produced in Québec by the corporation after March 31, 2023 and before April 1, 2033, that will be sold in Québec during that period to a holder of a collection officer's permit issued under the *Fuel Tax Act*<sup>29</sup> (hereinafter referred to as the "purchaser"), who will take possession of the biofuel in the particular month and before April 1, 2033, and that will be intended for Québec.

In this regard, the biofuel will be considered to be intended for Québec when the manifest for fuel transportation<sup>30</sup> issued to the purchaser upon taking possession of its shipment of biofuel indicates that its place of delivery is situated in Québec or, in the case where the delivery of the biofuel to the purchaser is assumed by the qualified corporation, when such delivery and the taking of possession by the purchaser take place in Québec.

For greater clarity, eligible biofuel produced by a qualified corporation will not be considered an eligible production of biofuel until the date the purchaser takes possession of it.

## ■ Monthly ceiling on the production of biofuel

The monthly ceiling on the production of biofuel of a qualified corporation, for a particular month in a taxation year, will be equal to the number of litres obtained by multiplying 821 917 litres by the number of days in the particular month.

---

<sup>29</sup> CQLR, chapter T-1.

<sup>30</sup> A manifest for fuel transportation is generally used to facilitate the control of a number of obligations of the purchaser.

For the particular month that includes April 1, 2023, the monthly ceiling on the production of biofuel of the qualified corporation will be equal to the number of litres obtained by multiplying 821 917 litres by the number of days in the particular month that are after March 31, 2023.

Similarly, for the particular month that includes March 31, 2023, the monthly ceiling on the production of biofuel of the qualified corporation will be equal to the number of litres obtained by multiplying 821 917 litres by the number of days in the particular month that are before April 1, 2023.

Where a qualified corporation produces more than one eligible biofuel, it must divide its monthly ceiling on the production of biofuel, calculated for a particular month, among its various eligible biofuels so that the total number of litres so allocated to all of its eligible biofuels does not exceed its monthly ceiling on the production of biofuel for that month.

Where the total number of litres so allocated exceeds, for a particular month, the corporation's monthly ceiling on the production of biofuel for that month, the Minister of Revenue will then reduce the number of litres allocated to one or more of the corporation's eligible biofuels for that month so that the total number of litres allocated does not exceed the corporation's monthly ceiling on the production of biofuel for that month.

In addition, where a qualified corporation is associated, in a taxation year, with other qualified corporations carrying on a business that produces eligible biofuel, the corporations must divide the monthly ceiling on the production of biofuel among themselves and file an agreement to that end with the Minister of Revenue, in accordance with the usual rules.

## **☐ Rate of the tax credit**

The rate of the refundable tax credit for the production of biofuel in Québec of a qualified corporation applicable to an eligible biofuel, for a taxation year, will be equal to the result obtained, expressed in dollars per litre, by applying the following formula:

$$C \times D \times E \times F$$

For the purposes of this formula:

- C is the change, for the taxation year, in the carbon intensity attributable to the eligible biofuel;
- D is the amount of assistance granted per tonne of GHG emissions avoided for the eligible biofuel for the taxation year;
- E is the high heating value of the eligible biofuel for the taxation year in which it was produced;
- F is the following factor:<sup>31</sup> (1 t CO<sub>2</sub>eq ÷ 1 000 000 g CO<sub>2</sub>eq).

---

<sup>31</sup> This factor allows the result of the formula to be expressed in dollars per litre. The factor "t CO<sub>2</sub>eq" stands for "tonne of carbon dioxide (CO<sub>2</sub>) equivalent."

## ■ Change in carbon intensity

The change of the carbon intensity (CI) attributable to an eligible biofuel, for a taxation year, will be calculated according to the following formula:

$$CI_F - CI_B$$

For the purposes of this formula:

- the  $CI_F$  variable corresponds to:
  - 83.1 g CO<sub>2</sub>eq/MJ, where the eligible biofuel replaces gasoline,
  - 92.9 g CO<sub>2</sub>eq/MJ, where the eligible biofuel replaces diesel fuel;
- the  $CI_B$  variable is the carbon intensity of the eligible biofuel for the taxation year in which it was produced.

## ■ Amount of assistance granted per tonne of GHG emissions avoided

To determine the amount of assistance granted per tonne of GHG emissions avoided in respect of an eligible biofuel, for a taxation year, a qualified corporation will first have to calculate the carbon intensity reduction ( $\Delta CI\%$ ) attributable to that biofuel, for the taxation year, expressed as a percentage, according to the following formula:<sup>32</sup>

$$[1 - (CI_B \div CI_F)]$$

For greater clarity, the proportion corresponding to the carbon intensity reduction attributable to an eligible biofuel, for a taxation year, may not exceed 100%.

### ■ Carbon intensity reduction attributable to an eligible biofuel less than or equal to 45%

Where the carbon intensity reduction of an eligible biofuel does not exceed 45%, for a taxation year, the amount of assistance granted per tonne of GHG emissions avoided with respect to that biofuel, for that taxation year, expressed in dollars per tonne of carbon dioxide (CO<sub>2</sub>) equivalent (\$/t CO<sub>2</sub>eq), will correspond to the result obtained using the following formula:

$$\$30 \div 45\% \times \Delta CI\%$$

<sup>32</sup> The variables in the formula for calculating the carbon intensity reduction attributable to an eligible biofuel are the same as those used for calculating the change in the carbon intensity attributable to that eligible biofuel. For example, if the carbon intensity of an eligible biofuel is 40 g CO<sub>2</sub>eq/MJ and the carbon intensity of the fuel it replaces is 83.1 g CO<sub>2</sub>eq/MJ, the change in the carbon intensity attributable to that biofuel will be 43.1 g CO<sub>2</sub>eq/MJ, that is, (83.1 g CO<sub>2</sub>eq/MJ – 40 g CO<sub>2</sub>eq/MJ). Its carbon intensity reduction will be 0.5187 or 51.87%, that is, [1 – (40 g CO<sub>2</sub>eq/MJ ÷ 83.1 g CO<sub>2</sub>eq/MJ)].

Therefore, where the carbon intensity reduction attributable to an eligible biofuel, for a taxation year, is equal to 45%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that biofuel, for that taxation year, will be equal to \$30.<sup>33</sup>

- **Carbon intensity reduction attributable to an eligible biofuel greater than 45%, but less than or equal to 70%**

Where the carbon intensity reduction attributable to an eligible biofuel exceeds 45%, but does not exceed 70%, for a taxation year, the amount of assistance granted per tonne of GHG emissions avoided with respect to that biofuel, for that taxation year, expressed in dollars per tonne of carbon dioxide (CO<sub>2</sub>) equivalent (\$/t CO<sub>2</sub>eq), will correspond to the result obtained using the following formula:

$$\$30 + [\$30 \div 25\% \times (\Delta CI\% - 45\%)]$$

Therefore, where the carbon intensity reduction attributable to an eligible biofuel, for a taxation year, is equal to 70%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that biofuel, for that taxation year, will be equal to \$60.<sup>34</sup>

- **Carbon intensity reduction attributable to an eligible biofuel in excess of 70%**

Where the carbon intensity reduction attributable to an eligible biofuel exceeds 70% for a taxation year, the amount of assistance granted per tonne of GHG emissions avoided with respect to that biofuel, for that taxation year, expressed in dollars per tonne of carbon dioxide (CO<sub>2</sub>) equivalent (\$/t CO<sub>2</sub>eq), will correspond to the result obtained using the following formula:

$$\$60 + [\$65 \div 30\% \times (\Delta CI\% - 70\%)]$$

Therefore, where the carbon intensity reduction attributable to an eligible biofuel, for a taxation year, is equal to 100%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that biofuel, for that taxation year, will be equal to \$125.<sup>35</sup>

---

<sup>33</sup> For example, if the carbon intensity reduction ( $\Delta CI\%$ ) attributable to an eligible biofuel is 35%, the amount of assistance granted per tonne of GHG emissions avoided for that biofuel will be \$23.33/t CO<sub>2</sub>eq, that is,  $(\$30 \div 45\% \times 35\%)$ .

<sup>34</sup> For example, if the carbon intensity reduction ( $\Delta CI\%$ ) attributable to an eligible biofuel is 50%, the amount of assistance granted per tonne of GHG emissions avoided for that biofuel will be \$36.00/t CO<sub>2</sub>eq, that is,  $\$30 + [\$30 \div 25\% \times (50\% - 45\%)]$ .

<sup>35</sup> For example, if the carbon intensity reduction ( $\Delta CI\%$ ) attributable to an eligible biofuel is 80%, the amount of assistance granted per tonne of GHG emissions avoided for that biofuel will be \$81.67/t CO<sub>2</sub>eq, that is,  $\$60 + [\$65 \div 30\% \times (80\% - 70\%)]$ .

## ❑ Other terms

### ■ Rules applicable in the case of combined production units

A qualified corporation may produce an eligible biofuel and store it in a reservoir with another type of biofuel that it produces, with a biofuel of the same nature that it produces and that has a different carbon intensity than the first biofuel, or with a biofuel that it has acquired and that comes from another source of supply.

In this case, the following rules will apply to calculate the portion of the biofuel mixed in the reservoir that is deemed to come from each production unit and each source of supply.

In order for the qualified corporation to benefit from the refundable tax credit for the production of biofuel in Québec from a production unit that is mixed with biofuel from another production unit or another source of supply, its facilities must be able to accurately measure the number of litres from each production unit and each source of supply before it is mixed with the production of another production unit or another source of supply that feeds the reservoir.

Qualification of a biofuel as an eligible biofuel will be done separately for each production unit.

A shipment of biofuel drawn in a particular month from a reservoir of mixed biofuels will be deemed to be composed of biofuels derived from each production unit or each source of supply in a proportion, for each production unit or other source of supply, equal to the formula:

$$(G + H) \div (H + I + J)$$

For the purposes of this formula:

- G is the portion of the stock of mixed biofuel in the reservoir that is attributable to the production unit or the other source of supply at the beginning of the particular month;<sup>36</sup>
- H is the number of litres of biofuel derived from the qualified corporation's biofuel production unit or the other source of supply, as the case may be, that is added to the reservoir during the particular month;
- I is the number of litres of biofuel added to the reservoir during the particular month and that is not derived from the qualified corporation's biofuel production unit or the other source of supply, as the case may be;
- J is the number of litres of biofuel that corresponds to the total stock of mixed biofuel in the reservoir at the beginning of the particular month.

<sup>36</sup> In this regard, the portion of the stock of mixed biofuel in a reservoir that is attributable to the production unit or the other source of supply at the beginning of the particular month will be equal to the number of litres of biofuel obtained by multiplying the number of litres of biofuel that corresponds to the total stock of mixed biofuel in the reservoir at the beginning of the particular month by the proportion calculated by the previously mentioned formula for the month that precedes the particular month in respect of the production unit or the other source of supply.



## ■ Documents to attach to the tax credit application

To claim the refundable tax credit for the production of biofuel in Québec, for a taxation year, a qualified corporation must attach to its tax return, for that year, the form required by Revenu Québec as well as the qualification certificate issued by the Minister of Energy and Natural Resources, for the taxation year or a preceding taxation year, for each eligible biofuel that it produces and that is included in its eligible production of biofuel for a particular month of the taxation year.

In addition, the qualified corporation must provide to Revenu Québec, on request, in respect of its eligible production of biofuel for each month of a taxation year, a report indicating its eligible production of biofuel.

## ■ Rounded mathematical factors

Where the result obtained after applying a formula required to calculate the refundable tax credit for the production of biofuel in Québec has more than two decimal positions, only the first two decimal positions must be retained, and the second must be increased by one unit if the third is greater than the number 4.

## ■ Government and non-government assistance

In general, the tax legislation provides rules to prevent the cumulation of government and non-government assistance. As such, the amount of the refundable tax credit for the production of biofuel in Québec from which a qualified corporation may benefit must be reduced by the amount of any government assistance, non-government assistance, benefit or advantage attributable to the eligible production of biofuel.

However, for the purposes of the tax credit, government assistance or non-government assistance will not include:

- an amount deemed to have been paid to the Minister of Revenue for a taxation year under the tax credit;
- subject to the following, the amount of federal government assistance directly attributable to the biofuel industry segment, including market expansion, process improvement, energy efficiency and change in raw materials.

Moreover, the value of compliance credits granted to a qualified corporation, pursuant to regulations that may be adopted by the federal government to reduce the carbon intensity of liquid fossil fuels or to require that such fuels have a minimum low-carbon-intensity content,<sup>37</sup> will be considered as government assistance received or receivable by the corporation, for a taxation year, for the purposes of the refundable tax credit for the production of biofuel in Québec when:

- as part of this regulation, a credit market is established;

---

<sup>37</sup> The federal government has proposed draft regulations to encourage the reduction of the carbon intensity of fuels produced, in which it is expected that a credit market will be established. See: GOVERNMENT OF CANADA, *Canada Gazette*, Part I, Volume 154, Number 51: Clean Fuel Regulations, [Online], December 19, 2020, [<https://gazette.gc.ca/rp-pr/p1/2020/2020-12-19/html/reg2-eng.html>].

- compliance credits are issued to the qualified corporation in respect of its eligible production of biofuel, for a particular month of the taxation year;
- a value is assigned to these compliance credits.

Further details may be announced at a later date.

In addition, the tax credit for investments relating to manufacturing and processing equipment<sup>38</sup> and the tax credit relating to investment and innovation<sup>39</sup> may not be claimed in respect of property acquired after the day of the budget speech for use in the operation of an eligible biofuel production plant.

However, these exclusions will not apply to a property acquired for use in the operation of a biofuel production plant, other than an ethanol, cellulosic ethanol or biodiesel fuel production plant, if either of the following situations applies:

- the property is acquired pursuant to a written obligation entered into on or before the day of the budget speech;
- construction of the property by or on behalf of the corporation had started on the day of the budget speech.

Also, a corporation that files an application for a qualification certificate in respect of the tax holiday for large investment projects<sup>40</sup> with the Minister of Finance, after March 27, 2018, or that obtains a qualification certificate in the context of the acquisition of a business after that date will not be able to claim the refundable tax credit for the production of biofuel in Québec when such production results from eligible activities stemming from the carrying out of its large investment project.

## **❑ Application dates and eligibility period**

A qualified corporation may claim the refundable tax credit for the production of biofuel in Québec for a taxation year ending after March 31, 2023.

The refundable tax credit for the production of biofuel in Québec will be granted for a temporary period beginning no sooner than April 1, 2023 and ending no later than March 31, 2033 in respect of a qualified corporation's eligible production of biofuel.

Also, for greater clarity, eligible biofuel produced by a qualified corporation before April 1, 2023 will not be included in the eligible production of biofuel of that corporation, even if that biofuel is sold and taken possession of by the purchaser after March 31, 2023 and before April 1, 2033.

Similarly, an eligible biofuel sold by a qualified corporation and taken possession of by the purchaser after March 31, 2033 may not be included in the eligible production of biofuel of that corporation, even if that biofuel is produced by the corporation after March 31, 2023 and before April 1, 2033.

<sup>38</sup> This measure is set out in Section II.6.14.2 of Chapter III.1 of Title III of Book IX of Part I of the *Taxation Act*.

<sup>39</sup> This measure is set out in Section II.6.14.2.3 of Chapter III.1 of Title III of Book IX of Part I of the *Taxation Act*.

<sup>40</sup> This measure is set out in Title VII.2.3.1 of Book IV of Part I of the *Taxation Act*.

However, once a corporation has produced litres of a biofuel that, but for the fact that the date of taken possession of these litres of biofuel is after March 31, 2023, would allow the corporation to claim the refundable tax credit for the production of ethanol in Québec,<sup>41</sup> the refundable tax credit for cellulose ethanol production in Québec,<sup>42</sup> or the refundable tax credit for the production of biodiesel fuel in Québec,<sup>43</sup> these litres of biofuel will then be deemed to have been produced on April 1, 2023, for the purposes of the refundable tax credit for the production of biofuel in Québec.

Finally, where biofuel produced in Québec after March 31, 2023 (the subsequent production) is stored with biofuel produced by the corporation or acquired by it before that day (the earlier inventory), the first-in, first-out rule will be applied to that earlier inventory for the purposes of the tax credit.

### **2.3 Extension of and changes to the refundable tax credit for the production of pyrolysis oil in Québec**

In 2016, the Wood Innovation Forum was held; this government initiative brought together various players in the Québec forestry industry to identify issues related to the forestry sector and to propose solutions to promote the transformation and modernization of the sector. Within the framework of this forum, five projects were developed, including bioenergy, which was identified as a priority by the various stakeholders.

It is from this perspective that the refundable tax credit for the production of pyrolysis oil in Québec was introduced as part of the March 27, 2018 budget.<sup>44</sup> This refundable tax credit, at a rate of \$0.08 per litre, is granted to a qualified corporation in respect of eligible pyrolysis oil it produces in Québec from residual forest biomass, which is sold in and intended for Québec, up to 100 million litres per year.

However, the eligibility period for this tax credit ends on March 31, 2023.

In order to maintain the government's support for efforts to reduce greenhouse gas (GHG) emissions, the refundable tax credit for the production of pyrolysis oil in Québec will be extended for a period of ten years, that is, until March 31, 2033.

Changes will also be made to the tax credit, particularly with respect to the tax credit rate, so that the level of assistance granted to a qualified corporation, with respect to its eligible production of pyrolysis oil, will take into account the reduction in carbon intensity induced by this biofuel, compared to the fuel it replaces, over its life cycle.

In addition, the maximum number of litres for which a qualified corporation may benefit from the tax credit will be increased to 300 million litres per year.

These changes will apply as at April 1, 2023.

---

<sup>41</sup> See note 23.

<sup>42</sup> See note 24.

<sup>43</sup> See note 25.

<sup>44</sup> MINISTÈRE DES FINANCES DU QUÉBEC, *The Québec Economic Plan – Additional Information 2018-2019*, March 27, 2018, pp. A.100-A.104.

## **❑ Qualified corporation**

For the purposes of the refundable tax credit for the production of pyrolysis oil in Québec, a “qualified corporation” means, for a taxation year, a corporation that, in the year, has an establishment in Québec where it carries on a business engaged in the production of eligible pyrolysis oil, and that is not a tax-exempt corporation for the year, a Crown corporation or a wholly-controlled subsidiary of such a corporation.

This definition will be amended so that to be recognized as a qualified corporation, for a taxation year, for the purposes of this tax credit, a corporation must also hold a qualification certificate issued by the Minister of Energy and Natural Resources for the purposes of the tax credit, for that year or for a previous taxation year, in respect of pyrolysis oil included in its eligible production of pyrolysis oil for a given month in the taxation year.

## **❑ Qualification certificate**

The *Act respecting the sectorial parameters of certain fiscal measures* will be amended so that, in order to benefit from the tax credit in respect of a pyrolysis oil it produces in a taxation year, a corporation will be required to obtain, for that taxation year, a qualification certificate issued by the Minister of Energy and Natural Resources certifying that the pyrolysis oil is an eligible pyrolysis oil for the purposes of the tax credit.

The qualification certificate so issued, for a taxation year, will identify the eligible pyrolysis oil and certify its carbon intensity and high heating value for the taxation year.

## **❑ Eligible pyrolysis oil**

For the purposes of the tax credit, the expression “eligible pyrolysis oil” means a liquid mixture of oxygenated organic compounds obtained from the condensation of vapours resulting from the thermal decomposition of residual forest biomass.<sup>45</sup>

This definition will be amended to provide that, in order for a pyrolysis oil to qualify as an eligible pyrolysis oil, a qualification certificate must also have been issued to the corporation that produces it by the Minister of Energy and Natural Resources in respect of the pyrolysis oil for the taxation year in which it was produced.

## **❑ Carbon intensity of a pyrolysis oil**

The carbon intensity of a pyrolysis oil, for the taxation year in which the pyrolysis oil was produced, will be the amount of GHGs emitted during the life cycle activities of the fuel relative to the energy produced in its combustion, expressed in grams of carbon dioxide (CO<sub>2</sub>) equivalent per megajoule of energy produced (g CO<sub>2</sub>eq/MJ), and will be the value determined for that pyrolysis oil for the calendar year ending in the taxation year.

<sup>45</sup> *Taxation Act*, s. 1029.8.36.0.106.7.

The corporation that produces the pyrolysis oil must calculate its carbon intensity using the GHGenius tool, version 4.03c, in accordance with the terms and conditions set out in section III of the *Order of the Minister of Energy and Natural Resources concerning the measurement methods and tools for the purposes of the Regulation respecting the integration of low-carbon-intensity fuel content into gasoline and diesel fuel*, with the necessary adaptations.<sup>46</sup> It must submit its calculation to the Minister of Energy and Natural Resources.

If the corporation is unable to calculate the carbon intensity of the pyrolysis oil in the manner set out above, then the corporation may use an alternative method of calculating the carbon intensity of that pyrolysis oil. The alternative method must be submitted to the Minister of Energy and Natural Resources, in advance, and must be to the satisfaction of the Minister.

If the corporation did not produce the pyrolysis oil in the calendar year ended in the taxation year or that no calendar year ended in the taxation year, then the carbon intensity of the pyrolysis oil, for the taxation year, will be calculated in respect of that taxation year.

The Minister of Energy and Natural Resources will certify, for a taxation year, the carbon intensity of the pyrolysis oil produced by the corporation in that taxation year.

## **□ High heating value of pyrolysis oil**

The high heating value of pyrolysis oil, for the taxation year in which the pyrolysis oil was produced, will be the heat supplied by the complete combustion of a unit mass of fuel, determined in respect of the pyrolysis oil for the calendar year ending in the taxation year. It will be expressed in megajoules of energy produced per litre (MJ/L).

The corporation producing the pyrolysis oil will be required to determine the high heating value of the pyrolysis oil, for a taxation year, using the GHGenius software, version 4.03c, with any necessary adaptations, and submit the value so determined to the Minister of Energy and Natural Resources.

If the corporation is unable to determine the high heating value of the pyrolysis oil in the manner set out above, then the corporation may use an alternative method of determining the high heating value of that pyrolysis oil. The alternative method must be submitted to the Minister of Energy and Natural Resources in advance, and must be to the satisfaction of the Minister.

If the corporation did not produce the pyrolysis oil in the calendar year ended in the taxation year or that no calendar year ended in the taxation year, then the high heating value of the pyrolysis oil, for the taxation year, will be determined for that taxation year.

The Minister of Energy and Natural Resources will certify, for a taxation year, the high heating value of the pyrolysis oil produced by the corporation for that taxation year.

---

<sup>46</sup> Order Number 2021-006 of the Minister of Energy and Natural Resources dated December 3, 2021, (2021) 50 G.O.Q. II, December 15, 2021, 5105. The GHGenius tool, version 4.03c, is a software program available upon request from Environment and Climate Change Canada that is used to determine the carbon intensity of low-carbon-intensity content and the baseline carbon intensity of a fuel, with the necessary adaptations. See section 4 of the Order.

## ❑ **Change in the calculation of the refundable tax credit**

The tax legislation will be amended so that the refundable tax credit for the production of pyrolysis oil in Québec of a qualified corporation, for a taxation year beginning after March 31, 2023, is equal to the aggregate of all amounts, each of which will be determined in respect of an eligible pyrolysis oil of the corporation, for a particular month of the taxation year, according to the following formula:

$$A \times B$$

For the purposes of this formula:

- A is, in respect of the eligible pyrolysis oil, the lesser of the following number of litres:
  - the corporation's eligible production of pyrolysis oil for the particular month in respect of that eligible pyrolysis oil,
  - the corporation's monthly ceiling on the production of pyrolysis oil for the particular month attributable to that eligible pyrolysis oil;
- B is the annual variable rate of the tax credit, for the taxation year, applicable to that eligible pyrolysis oil and determined by taking into account, among other things, the carbon intensity of such pyrolysis oil (hereinafter referred to as "annual variable rate").

For the taxation year of a qualified corporation that includes March 31, 2023 and that ends after that date, the refundable tax credit for the production of pyrolysis oil in Québec of the qualified corporation will be calculated, in respect of its eligible production of pyrolysis oil for each of the months included in the portion of the taxation year preceding April 1, 2023, by applying the fixed rate of \$0.08 per litre. It will be calculated, in respect of its eligible production of pyrolysis oil for each eligible pyrolysis oil produced by it, for each of the months in the portion of the taxation year that follows March 31, 2023, by applying the annual variable rate of the tax credit applicable to that pyrolysis oil, for that taxation year.

## ■ **Eligible production of pyrolysis oil**

As a result of the extension of the eligibility period for the tax credit for the production of pyrolysis oil in Québec, the eligible production of pyrolysis oil of a qualified corporation in respect of an eligible pyrolysis oil, for a particular month of a taxation year, will be modified to refer to the number of litres of that pyrolysis oil produced in Québec by the corporation after March 31, 2018 and before April 1, 2033, that is sold in Québec during that period to a person or partnership that takes possession of the pyrolysis oil in the particular month and before April 1, 2033, and that is intended for Québec.

For greater clarity, the conditions that must be met in order for the production of pyrolysis oil to be considered to be intended for Québec remain unchanged.<sup>47</sup>

<sup>47</sup> *Taxation Act*, s. 1029.8.36.0.106.7, 2<sup>nd</sup> para.

## ■ Change in the monthly ceiling on the production of pyrolysis oil

The monthly ceiling on the production of pyrolysis oil for a qualified corporation, for all eligible pyrolysis oils produced by it, will be increased as at April 1, 2023, so that, for a particular month beginning after March 31, 2023, it is equal to the product obtained by multiplying 821 917 litres by the number of days in the particular month.

Consequently, for the taxation year of the qualified corporation that includes March 31, 2023, and ends after that date, the corporation's monthly ceiling on the production of pyrolysis oil for each of the months in the part of the taxation year that precedes April 1, 2023 will be equal to the product obtained by multiplying 273 972 litres by the number of days in the month. Its monthly ceiling on the production of pyrolysis oil for each of the months in the part of the taxation year that follows March 31, 2023 will be equal to the product obtained by multiplying 821 917 litres by the number of days in the month.

For the particular month that includes March 31, 2023, the qualified corporation's monthly ceiling on the production of pyrolysis oil will be equal to the number of litres obtained by multiplying 821 917 litres by the number of days in the particular month that precede April 1, 2023.

Where a qualified corporation produces more than one type of eligible pyrolysis oil and a different tax credit rate applies in respect of these pyrolysis oils, for a particular month that begins after March 31, 2023, the corporation will have to divide, for that particular month, its monthly ceiling on the production of pyrolysis oil, calculated for that month, among its various eligible pyrolysis oils so that the total of the litres so allocated to all of its eligible pyrolysis oils does not exceed its monthly ceiling on the production of pyrolysis oil for that month. This rule will also apply, with the necessary adaptations, with respect to the portion of the month that includes March 31, 2023 and ends after that date.

If the total number of litres so allocated exceeds, for a particular month, the corporation's monthly ceiling on the production of pyrolysis oil for that month, the Minister of Revenue will then reduce the number of litres allocated to one or more of the corporation's eligible pyrolysis oils, for that month, so that the total number of litres allocated does not exceed the corporation's monthly ceiling on the production of pyrolysis oil for that month.

In addition, where a qualified corporation is associated, in a taxation year, with other qualified corporations carrying on a business that produces an eligible pyrolysis oil, the corporations must divide the monthly ceiling on the production of pyrolysis oil among themselves and file an agreement to that end with Revenu Québec, in accordance with the usual rules.

## **❑ Determination of the annual variable rate of the tax credit applicable to an eligible pyrolysis oil**

For a taxation year that begins after March 31, 2023, as well as for the portion of the taxation year that follows March 31, 2023, where the taxation year includes that date, the annual variable rate of the refundable tax credit for the production of pyrolysis oil in Québec of a qualified corporation that will be applicable to an eligible pyrolysis oil, for the year or portion of the year, as the case may be, will be equal to the result obtained, expressed in dollars per litre, by applying the following formula:

$$C \times D \times E \times F$$

For the purposes of this formula:

- C is the change, for the taxation year, in the carbon intensity attributable to that eligible pyrolysis oil;
- D is the amount of assistance granted per tonne of GHG emissions avoided in respect of that eligible pyrolysis oil for the taxation year;
- E is the high heating value of that eligible pyrolysis oil for the taxation year in which it was produced;
- F is the following factor:<sup>48</sup> (1 t CO<sub>2</sub>eq ÷ 1 000 000 g CO<sub>2</sub>eq).

## **■ Change in carbon intensity**

The change in the carbon intensity (CI) attributable to an eligible pyrolysis oil, for a taxation year, will be calculated using the following formula:

$$86.5 \text{ g CO}_2\text{eq/MJ} - \text{CI}_{\text{PO}}$$

For the purposes of this formula, the variable CI<sub>PO</sub> corresponds to the carbon intensity of the eligible pyrolysis oil for the taxation year in which it was produced.

<sup>48</sup> This factor allows the result of the formula to be expressed as dollars per litre. The variable “t CO<sub>2</sub>eq” stands for “tonne of carbon dioxide (CO<sub>2</sub>) equivalent.”



## ■ Amount of assistance granted per tonne of GHG emissions avoided

To determine the amount of assistance granted per tonne of GHG emissions avoided in respect of an eligible pyrolysis oil, for a taxation year, a qualified corporation must first calculate the carbon intensity reduction ( $\Delta CI\%$ ) attributable to that pyrolysis oil, for the taxation year, expressed as a percentage, according to the following formula:<sup>49</sup>

$$[1 - (CI_{PO} \div 86.5 \text{ g CO}_2\text{eq/MJ})]$$

For greater clarity, the proportion corresponding to the carbon intensity reduction attributable to an eligible pyrolysis oil, for a taxation year, may not exceed 100%.

## ■ Carbon intensity reduction attributable to an eligible pyrolysis oil less than or equal to 45%

Where the carbon intensity reduction attributable to an eligible pyrolysis oil does not exceed 45%, for a taxation year, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil, for that taxation year, expressed in dollars per tonne of carbon dioxide (CO<sub>2</sub>) equivalent (\$/t CO<sub>2</sub>eq), will correspond to the result obtained using the following formula:

$$\$30 \div 45\% \times \Delta CI\%$$

Therefore, where the carbon intensity reduction attributable to an eligible pyrolysis oil, for a taxation year, is equal to 45%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil, for that taxation year, will be equal to \$30.<sup>50</sup>

## ■ Carbon intensity reduction attributable to an eligible pyrolysis oil greater than 45%, but less than or equal to 70%

Where the carbon intensity reduction attributable to an eligible pyrolysis oil exceeds 45%, but does not exceed 70%, for a taxation year, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil, for that taxation year, expressed in dollars per tonne of carbon dioxide (CO<sub>2</sub>) equivalent (\$/t CO<sub>2</sub>eq), will correspond to the result obtained using the following formula:

$$\$30 + [\$30 \div 25\% \times (\Delta CI\% - 45\%)]$$

<sup>49</sup> The value of the  $CI_{PO}$  variable in this formula, for calculating the carbon intensity reduction attributable to an eligible pyrolysis oil, is the same as that used for calculating the carbon intensity change attributable to that eligible pyrolysis oil. For example, if the carbon intensity of an eligible pyrolysis oil is 10.0 g CO<sub>2</sub>eq/MJ, the carbon intensity change attributable to the pyrolysis oil will be 76.5 g CO<sub>2</sub>eq/MJ, that is (86.5 g CO<sub>2</sub>eq/MJ – 10.0 g CO<sub>2</sub>eq/MJ). Its carbon intensity reduction will be 0.8844, or 88.44%, that is  $[1 - (10.0 \text{ g CO}_2\text{eq/MJ} \div 86.5 \text{ g CO}_2\text{eq/MJ})]$ .

<sup>50</sup> For example, if the carbon intensity reduction ( $\Delta CI\%$ ) attributable to an eligible pyrolysis oil is 35%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil will be \$23.33/t CO<sub>2</sub>eq, that is,  $(\$30 \div 45\% \times 35\%)$ .

Therefore, where the carbon intensity reduction attributable to an eligible pyrolysis oil, for a taxation year, is equal to 70%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil, for that taxation year, will be equal to \$60.<sup>51</sup>

■ **Carbon intensity reduction attributable to an eligible pyrolysis oil in excess of 70%**

Where the carbon intensity reduction attributable to an eligible pyrolysis oil exceeds 70%, for a taxation year, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil, for that taxation year, expressed in dollars per tonne of carbon dioxide (CO<sub>2</sub>) equivalent (\$/t CO<sub>2</sub>eq), will correspond to the result obtained using the following formula:

$$\$60 + [\$65 \div 30\% \times (\Delta CI\% - 70\%)]$$

Therefore, where the carbon intensity reduction attributable to an eligible pyrolysis oil, for a taxation year, is equal to 100%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil, for that taxation year, will be equal to \$125.<sup>52</sup>

□ **Other terms**

■ **Rules applicable to the month including March 31, 2023 and to the eligibility period**

Briefly, where a qualified corporation's taxation year begins on a day in a calendar month other than the first day of that month, the tax legislation provides that the term "month," for the purpose of calculating the tax credit, corresponds to any period that begins on that day in a calendar month and that ends immediately before the same day in the following month.

Thus, a qualified corporation's refundable tax credit, for a particular month including March 31, 2023 and ending after that day, will be calculated, for the part of the month that ends on March 31, 2023 by multiplying the qualified corporation's eligible production of pyrolysis oil for that part of the month by the rate of \$0.08 per litre. The corporation's monthly ceiling on the production of pyrolysis oil will be determined for that part of the month and will be equal to the product obtained by multiplying 273 972 litres by the number of days in that part of the month.

<sup>51</sup> For example, if the carbon intensity reduction ( $\Delta CI\%$ ) attributable to an eligible pyrolysis oil is 50%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil will be \$36.00/t CO<sub>2</sub>eq, that is,  $\$30 + [\$30 \div 25\% \times (50\% - 45\%)]$ .

<sup>52</sup> For example, if the carbon intensity reduction ( $\Delta CI\%$ ) attributable to an eligible pyrolysis oil is 80%, the amount of assistance granted per tonne of GHG emissions avoided with respect to that pyrolysis oil will be \$81.67/t CO<sub>2</sub>eq, that is,  $\$60 + [\$65 \div 30\% \times (80\% - 70\%)]$ .

Similarly, the qualified corporation's refundable tax credit for the other portion of that month that begins on April 1, 2023 will be calculated in respect of an eligible pyrolysis oil by multiplying the qualified corporation's eligible production of pyrolysis oil in respect of such pyrolysis oil, for the other portion of the month, by the annual variable rate of the tax credit applicable to that pyrolysis oil, for that taxation year. The corporation's monthly ceiling on the production of pyrolysis oil applicable to the eligible pyrolysis oil for the other part of the month will be equal to the product obtained by multiplying 821 917 litres by the number of days in that other part of the month that is allocated to that pyrolysis oil.

Moreover, since eligible pyrolysis oil produced by a qualified corporation may be considered as eligible production of pyrolysis oil only as of the date on which a person or partnership takes possession of it, where the taking of possession of litres of eligible pyrolysis oil produced by the corporation after March 31, 2018 but before April 1, 2023, occurs after March 31, 2023, but before April 1, 2033, the amount of the tax credit that may be obtained by the qualified corporation, for a taxation year, in respect of these litres of eligible pyrolysis oil included in an eligible production of pyrolysis oil for that taxation year, will be calculated by applying the annual variable rate of the tax credit applicable to that pyrolysis oil, for the taxation year.

However, pyrolysis oil produced by a qualified corporation before April 1, 2033, but for which possession is taken after March 31, 2033, will not be eligible for the refundable tax credit.

#### ■ **Clarification regarding the rules applicable to combined production units**

The tax legislation provides specific rules where a qualified corporation produces eligible pyrolysis oil and stores it in a reservoir with another type of pyrolysis oil that it produces or with pyrolysis oil that it has acquired from another source of supply.

The applicable rules allow for the calculation of the portion of the mixed pyrolysis oil in the reservoir that is deemed to be from each production unit and from each source of supply.

Since the tax credit rate applicable to an eligible pyrolysis oil will be determined by taking into account, among other things, the carbon intensity of that pyrolysis oil and it is possible that a qualified corporation produces different types of eligible pyrolysis oils and stores in a reservoir an eligible pyrolysis oil that it produces with another eligible pyrolysis oil that it produces and that has a different carbon intensity than the first pyrolysis oil or with a pyrolysis oil that it has acquired and that constitutes another source of supply for this reservoir, the rules applicable in case of combined production units will have to be adapted.

These rules will therefore have to make it possible to calculate the portion of pyrolysis oil mixed in the reservoir that is deemed to come from each production unit, distinguishing these units according to the carbon intensity of the different eligible pyrolysis oils produced, and from each source of supply.

## ■ Documents to attach to the tax credit application

To claim the refundable tax credit for the production of pyrolysis oil in Québec for a taxation year ending after March 31, 2023, a qualified corporation must attach to its tax return, for that year, in addition to the documents already required, the qualification certificate issued by the Minister of Energy and Natural Resources, for the taxation year or for a previous taxation year, for each eligible pyrolysis oil that it produces and that is included in its eligible production of pyrolysis oil for a particular month of the taxation year.

## ■ Rounded mathematical factors

Where the result obtained after applying a formula required to calculate the refundable tax credit for the production of pyrolysis oil in Québec has more than two decimal positions, only the first two decimal positions must be retained, and the second must be increased by one unit if the third is greater than the number 4.

## ■ Government and non-government assistance

The tax legislation will be amended, for the purposes of the refundable tax credit for the production of pyrolysis oil in Québec, for a taxation year ending after March 31, 2023, so that the value of compliance credits granted to a qualified corporation pursuant to regulations that may be adopted by the federal government to reduce the carbon intensity of liquid fossil fuels or to require that such fuels have a minimum low-carbon-intensity content,<sup>53</sup> will be considered as government assistance received or receivable by the corporation, for a taxation year, for the purposes of the tax credit where:

- as part of this regulation, a credit market is established;
- compliance credits are issued to a qualified corporation in respect of its eligible pyrolysis oil production, for a particular month of the taxation year and for a period after March 31, 2023;
- a value is assigned to these compliance credits.

Further details may be announced at a later date.

---

<sup>53</sup> The federal government has proposed draft regulations to encourage the reduction of the carbon intensity of fuels produced, in which it is expected that a credit market will be established. See: GOVERNMENT OF CANADA, *Canada Gazette*, Part I, Volume 154, Number 51: Clean Fuel Regulations, [Online], December 19, 2020, [<https://gazette.gc.ca/rp-pr/p1/2020/2020-12-19/html/reg2-eng.html>].

## ❑ **Application date**

The amendments to the refundable tax credit for the production of pyrolysis oil in Québec will apply for a taxation year that ends after March 31, 2023.

However, the amendment to the definition of “qualified corporation” will apply to a corporation for its taxation year that includes March 31, 2023 and that ends after that date only if the corporation has an eligible production of pyrolysis oil in respect of a particular month or part of a month, included in that taxation year, that begins after that date.

Similarly, the amendment to the definition of “eligible pyrolysis oil” will apply only in respect of litres of pyrolysis oil included in a qualified corporation’s eligible production of pyrolysis oil for a particular month, or part of a month, that begins after March 31, 2023.

### 3. OTHER MEASURE

#### 3.1 Amendment to the rules governing the interruption of the prescription period

Under the *Tax Administration Act* (hereinafter referred to as the “TAA”),<sup>54</sup> the recovery of an amount owed under a fiscal law is prescribed by 10 years after the day on which the notice of assessment was sent or, in the case of charges or fees, from the time the charges or fees are applied.

However, where that amount is owed to Retraite Québec by an individual under the Family Allowance or one of the supplements, prescription runs from the date of the formal notice sent to the individual by Retraite Québec.<sup>55</sup>

Prescription is one of the causes of extinguishment of obligations. A person liable for the payment of an amount owed under a fiscal law may raise to the Minister of Revenue that the debt has been extinguished by the effect of prescription. This is so where, before the expiry of the 10-year period mentioned above, the debt was not discharged and no cause for interruption or suspension of the prescription has arisen.

The 10-year prescription period for Québec tax claims may therefore be extended by “suspension” or “interruption”.

Where the prescription period is “suspended”, it does not run during the period of suspension. Suspension is the temporary cessation of the running of the prescription period due to the occurrence of an event and does not erase the benefit of a period of time which has elapsed. Therefore, when the cause of suspension ends, the calculation of the 10-year prescription period continues. In other words, when the suspensive event ends, the calculation of the prescription period resumes at the point where it was when it was suspended.

In addition to the other cases of suspension provided for by law,<sup>56</sup> the 10-year prescription period provided for in the TAA is suspended in the following cases:

- the Minister of Revenue cannot recover an unpaid amount because of the application of the suspension of recovery measures on an objection, contestation or appeal;<sup>57</sup>

<sup>54</sup> *Tax Administration Act*, s. 27.3.

<sup>55</sup> *Taxation Act*, s. 1029.8.61.34.

<sup>56</sup> Among other things, as provided for in article 2904 of the *Civil Code of Québec*, prescription does not run against persons if it is impossible in fact for them to act by themselves or to be represented by others.

<sup>57</sup> *Tax Administration Act*, s. 12.0.3. In the case of a debt relating to personal income tax, the Minister of Revenue cannot collect the amount of the debt while a notice of objection, contestation or appeal is being processed or before the expiry of the time limit for filing such a contestation or bringing such an appeal.

- the Minister of Revenue has a security in guarantee of the payment of the debt;
- the debtor does not reside in Québec.

In contrast, when the prescription period is “interrupted,” the prescription starts running again for the same period after the interruption.<sup>58</sup> In other words, the interruption of the prescription period has the effect of resetting the counter to zero and thus lengthening the period during which the Minister of Revenue is legally entitled to collect its tax claim against the debtor.

In addition to the other cases of interruption of the prescription period provided for by law,<sup>59</sup> the 10-year prescription period provided for in the TAA is interrupted when the Minister of Revenue takes certain measures, including applying a tax refund to the payment of a taxpayer’s debt, up to the amount of that debt, and gives notice to the taxpayer.

Under the TAA, when a taxpayer entitled to a tax refund by reason of the application of a fiscal law is also a debtor under such a law or about to become so, the Minister of Revenue may apply such refund to the payment of the debt of that taxpayer.<sup>60</sup>

Moreover, when a person is a recipient of a financial assistance program provided for in one of Chapters I, II and V of Title II of the *Individual and Family Assistance Act*<sup>61</sup> or a person receiving the solidarity tax credit (STC) whose family income for the reference year relating to the payment period is, according to the last notice of determination sent to the person, equal to or less than \$21 740,<sup>62</sup> the Minister of Revenue cannot, despite the provisions of the TAA,<sup>63</sup> allocate to the payment of a debt of that person more than 50% of the amount to be paid to the person under the STC for a given month, the latter being an amount deemed to be an overpayment of that person’s tax payable.<sup>64</sup>

Therefore, when a person who receives last-resort financial assistance or whose family income does not exceed \$21 740 also owes a tax debt to Revenu Québec, the amount of the STC to be paid to that person cannot be reduced by more than 50% to compensate for a tax debt owed by that person.

However, with each payment of STC, a portion of which is applied to the person’s tax debt, the prescription period for the tax debt is interrupted. As a result, the debt will never be prescribed, as long as the person receives the STC or the debt is not otherwise paid, because the calculation of the prescription period returns to the starting point with each allocation. This situation was brought to the attention of the Minister of Finance by the Ombudsman.

---

<sup>58</sup> C.C.Q., art. 2903.

<sup>59</sup> According to article 2898 of the *Civil Code of Québec*, acknowledgement of a right, as well as renunciation of the benefit of the time elapsed, interrupts prescription.

<sup>60</sup> *Tax Administration Act*, s. 31.

<sup>61</sup> CQLR, chapter A-13.1.1.

<sup>62</sup> This amount is the amount applicable in respect of the payment period beginning July 1, 2021 and ending June 30, 2022.

<sup>63</sup> See note 60.

<sup>64</sup> *Taxation Act*, ss. 1029.8.116.16 and 1029.8.116.34.

Also, and more generally, if a taxpayer is entitled to a refund from Revenu Québec, the refund may be used, in whole or in part, to repay or reduce a tax debt of that taxpayer. Such compensation interrupts the 10-year prescription period provided for in the TAA with respect to that debt.

Although most taxpayers do not receive recurring refunds, it only takes one allocation of a refund against a non-prescribed tax debt to lose the benefit of the time that has elapsed to extinguish the debt through the 10-year prescription period, since the period resets to zero due to the allocation.

Consequently, with a view to making the tax system more fair and equitable for all Québec taxpayers with a non-prescribed tax debt, the TAA will be amended to remove compensation as a reason for interrupting the prescription period when a taxpayer entitled to a refund under a fiscal law is also a debtor under such a law or is about to be, and the Minister of Revenue applies the refund to pay the tax debt of that taxpayer.

### **❑ Application date**

This measure will apply to allocations of refunds made on or after a date to be determined by the government after the bill giving effect to this measure is assented to.





# Section B

## ACTION PLAN TO ENSURE TAX FAIRNESS

<b>1. Continuing the action plan .....</b>	<b>B.3</b>
1.1 Ensuring tax fairness .....	B.4
1.2 Maintaining efforts regarding corporate transparency .....	B.7
1.3 Maintaining efforts in residential construction.....	B.8
1.4 Taking stronger action to combat the illicit cannabis market.....	B.9
1.5 Simplifying management of seized alcoholic beverages .....	B.9
<b>2. Facilitating taxpayer compliance .....</b>	<b>B.11</b>
2.1 Transforming service delivery at Revenu Québec.....	B.11
2.2 Facilitating compliance with tax obligations in the residential renovation sector .....	B.12
2.3 Lightening the administrative burden in the restaurant and bar sector .....	B.12
2.4 Strengthening information security .....	B.12
2.5 Taking action in the solid waste removal sector .....	B.13
<b>3. Stepping up the fight against economic crime .....</b>	<b>B.15</b>
3.1 Leveraging concerted actions to combat fraud against the government .....	B.15
3.2 Stepping up the fight against economic crime involving cryptoassets.....	B.16
<b>4. Following up on actions taken to combat tax evasion     and fraud against the government.....</b>	<b>B.19</b>
4.1 The fight against unreported work in the construction sector (ACCES construction).....	B.20
4.2 The fight against smuggling .....	B.21
4.3 The fight against economic and financial crime, and fraud against the government .....	B.25
4.4 Return on and funding for concerted actions.....	B.29



# 1. CONTINUING THE ACTION PLAN

In the current context, where providing Quebecers with high-quality public services—be it in health care, education or safety—is more important than ever, it is essential that everyone contributes their fair share.

By continuing to implement the Tax Fairness Action Plan, the government seeks to preserve the integrity of the Québec tax system, and to ensure that combatting tax evasion<sup>1</sup> and tax avoidance<sup>2</sup> remains a priority.

In Budget 2022-2023, to strengthen the Tax Fairness Action Plan, the government is announcing investments of over \$190 million, thereby:

- continuing to implement the Tax Fairness Action Plan;
- facilitating taxpayer compliance;
- stepping up the fight against economic crime.

TABLE B.1

## Financial impact of Tax Fairness Action Plan initiatives (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	Total
Continuing to implement the Tax Fairness Action Plan	-5.3	-6.2	-5.4	-3.1	-3.0	<b>-23.0</b>
Facilitating taxpayer compliance	-26.7	-28.7	-33.3	-32.0	-32.0	<b>-152.7</b>
Stepping up the fight against economic crime	-3.0	-3.0	-3.0	-3.0	-3.0	<b>-15.0</b>
<b>TOTAL</b>	<b>-35.0</b>	<b>-37.9</b>	<b>-41.7</b>	<b>-38.1</b>	<b>-38.0</b>	<b>-190.7</b>

<sup>1</sup> Tax evasion is defined as all illegal steps that consist in non-reporting of legal income, concealment of illegal income or failure to obey tax rules.

<sup>2</sup> Tax avoidance corresponds to interpretations of the law that border on the illegal. The use of such procedures does not violate any particular legal rule, but it does not comply with the spirit of the law.

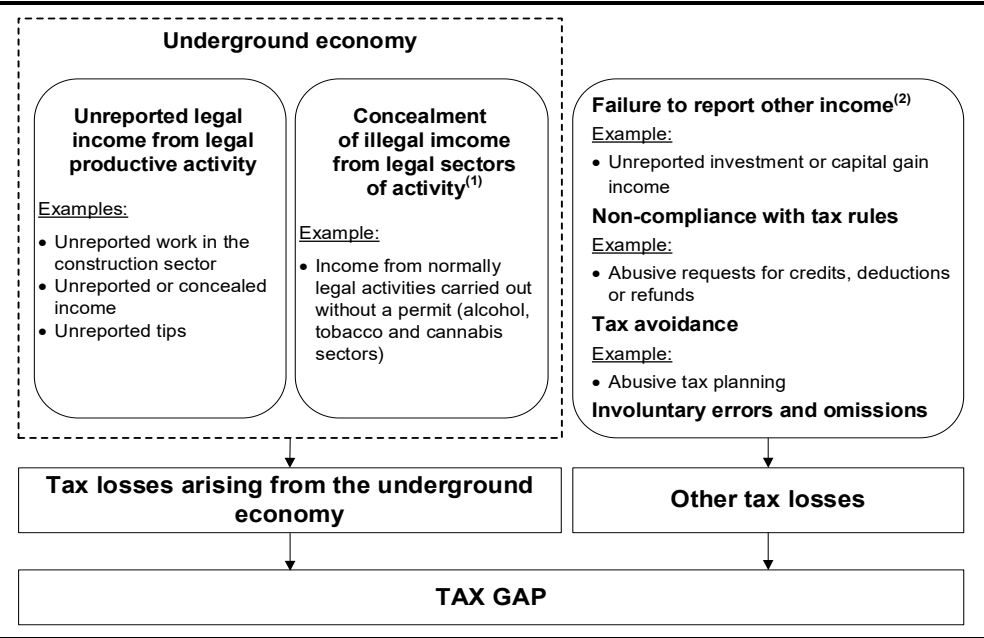
# 1.1 Ensuring tax fairness

A fair, effective tax system depends on compliance with tax rules by all taxpayers, both individuals and businesses. While the great majority of taxpayers do comply with the laws and regulations in force, tax evasion and tax avoidance are still major issues.

These forms of non-compliance result in tax losses for the government and hinder its ability to provide citizens with the services and benefits to which they are entitled.

Tax losses come from a number of sources and can be categorized according to whether or not they result from underground economy activities.<sup>3</sup>

## Illustration of the sources of tax losses



(1) Concealment of income from illegal activities, such as pimping or dealing in weapons, also leads to tax losses. However, this source of tax losses is excluded from the diagram since it does not appear in the underground economy or the tax gap.

(2) Tax havens can be used to conceal income derived from these schemes.

Source: Ministère des Finances du Québec.

<sup>3</sup> The underground economy is the income generated by the production of goods and services that are intentionally hidden from the government.

## ❑ Tax loss arising from the underground economy

The Ministère des Finances du Québec estimates the size of the underground economy in Québec at \$16.8 billion in 2019, and the resulting tax loss for the government at \$2.8 billion.

TABLE B.2

### **Estimated tax losses resulting from the underground economy** (billions of dollars, unless otherwise indicated)

	<b>Underground economy</b> (as a % of GDP)	<b>Underground economy</b>	<b>Tax losses</b>
2015	3.6%	14.1	2.4
2019	3.6%	16.8	2.8
2019 (without the cannabis sector)	3.5%	16.0	2.5

Note: Adjustments have been made to the estimation method used in previous publications. Consequently, the scale of tax losses is not comparable with figures published previously.

Sources: Statistics Canada, Revenu Québec and Ministère des Finances du Québec.

The size of the underground economy as a proportion of GDP remained constant between 2015 and 2019, at 3.6% of GDP.

The 2019 estimate however includes the cannabis sector which, since it was legalized in the fall of 2018, is not included in the 2015 estimate.

— Excluding this sector, the underground economy would have represented 3.5% of GDP in 2019 and would have led to a tax loss of \$2.5 billion.

Growth in the underground economy and tax losses between 2015 and 2019 is thus mainly due to the increase in nominal GDP and the inclusion of the cannabis sector, not to an overall increase in tax evasion.

Over the same period, the growth in tax losses from the underground economy was less than the growth of the economy, as measured by nominal GDP.

## Estimating the tax gap in Québec

The tax gap is the difference between taxes that would be paid if all taxation obligations were entirely fulfilled at all times, and taxes that are actually paid and received.

It is a more comprehensive indicator than tax losses resulting from the underground economy, since it covers all sources of tax losses, whether due to voluntary actions or not. Tax losses resulting from the underground economy are only one part of the tax gap.

For the past several years, Revenu Québec has been estimating tax losses based on the tax gap concept. These estimates provide valuable information on levels of non-compliance with taxation legislation.

In 2019, Revenu Québec estimated the tax gap in Québec at \$5.3 billion. These results are comparable with those published by the Canada Revenue Agency, which also produces estimates of the tax gap for the whole country.

The work of Revenu Québec breaks down the estimated tax gap by law.

### **2019 tax gap estimate by law** (billions of dollars)

	<b>Tax gap in 2019</b>
Personal income tax	1.3
Corporate taxes	1.7
Health Services Fund	0.2
Other taxes	2.0
<b>TOTAL</b>	<b>5.3</b>

Note: Totals may not add due to rounding.  
Source: Revenu Québec.

Note that a significant part of this sum is recovered by tax recovery measures taken by Revenu Québec.

## 1.2 Maintaining efforts regarding corporate transparency

Since introducing the Tax Fairness Action Plan, the government has been taking measures to strengthen tax and corporate transparency in Québec.

In Budget 2022-2023, the government is furthering its action by:

- ensuring an efficient transition to new corporate obligations introduced by *An Act mainly to improve the transparency of enterprises*;<sup>4</sup>
- improving the reliability of data in the Database of Public Authorities.

### ☐ Ensuring the transition to new corporate obligations

Assented to on June 8, 2021, *An Act mainly to improve the transparency of enterprises* provides for new obligations for enterprises that will go into effect at a later date.

The government is therefore assigning additional resources to the Registraire des entreprises du Québec so that the information supplied can be processed promptly.

In addition, the Registraire des entreprises du Québec will continue to provide support to enterprises so that they can fulfil their new obligations.

The government is providing \$11.7 million over five years for this purpose.

---

<sup>4</sup> S.Q. 2021, c. 19.



## ❑ **Improving the reliability of data in the Database of Public Authorities**

For the purpose of increasing the transparency of bodies and legal persons established in the public interest, the Registraire des entreprises du Québec will carry out work to make the Database of Public Authorities,<sup>5</sup> which covers over 2 500 bodies and legal persons established in the public interest, an official source of government digital data.

Once this work is completed, bodies and legal persons established in the public interest will have an obligation to register with the Database of Public Authorities and to submit any changes to data concerning them.

With the status of official source of government digital data, the Database of Public Authorities will become a reliable source that will make a significant contribution to stronger public protection.

To this end, \$1.3 million over five years will be granted to the Registraire des entreprises du Québec.

### **1.3 Maintaining efforts in residential construction**

In its June 2021 report, the Auditor General of Québec emphasized that the Régie du bâtiment du Québec must do more to verify the compliance of contractors on construction sites. The main sites targeted are residential renovation sites as well as other sites that are not monitored by its partners.<sup>6</sup>

In response to the Auditor General of Québec's recommendations, the Régie du bâtiment du Québec and its partners will increase their presence on residential construction sites.

These interventions are aimed, among other things, at verifying contractor compliance and gathering information that will make it possible to combat unreported work more effectively.

To this end, \$2 million is provided annually beginning in 2022-2023.

---

<sup>5</sup> The Database of Public Authorities is a database of more than 2 500 public bodies and legal entities. The main information it contains is the public authority's name and address, its legal form, the nature of its activities and the identity of its directors and officers.

<sup>6</sup> Régie du bâtiment du Québec partners include the Commission de la construction du Québec, the Commission des normes, de l'équité, de la santé et de la sécurité du travail and Revenu Québec.

## 1.4 Taking stronger action to combat the illicit cannabis market

Following the legalization of cannabis in Québec in 2018, access to legal cannabis has expanded greatly. The Société québécoise du cannabis now has close to 90 outlets and offers delivery across Québec through its online sales platform. Despite this increased accessibility, the illicit market still accounts for close to 40% of cannabis sold in Québec.

Police forces that are partners of ACCES<sup>7</sup> cannabis have found that part of the illegal cannabis trade is supplied by persons who hold a registration certificate from Health Canada to produce cannabis for their own medical purposes. Offenders are abusing these certificates by growing cannabis for sale. It should be noted that the number of such certificates has increased greatly since legalization.

Because investigations into illicit cannabis growing by means of these production certificates are long and complex, the government will strengthen the Sûreté du Québec's investigating teams.

In addition, the Director of Criminal and Penal Prosecutions will be assigned additional prosecutors to deal with the growing number of cannabis-related offences.

Funding of \$9 million over five years from the Fund to Combat Addiction is already provided for this purpose.

## 1.5 Simplifying management of seized alcoholic beverages

Monetary administrative penalties regarding alcoholic beverages, introduced in 2017, enable the Régie des alcools, des courses et des jeux to deal more effectively with particular issues it may encounter, allowing options other than permit suspension as the sole recourse.

When the Régie des alcools, des courses et des jeux imposes a monetary administrative penalty further to the seizure of alcoholic beverages, a court appearance is necessary to obtain authorization to destroy or eliminate these products.

In such cases, to ensure efficient use of resources, in particular police resources, the government will make amendments to the *Act respecting offences relating to alcoholic beverages*<sup>8</sup> to enable seized alcoholic beverages to be destroyed or eliminated after a certain period without the requirement for court authorization.

<sup>7</sup> Actions concertées pour contrer les économies souterraines (concerted actions to counter the underground economy).

<sup>8</sup> CQLR, chapter I-8.1.

TABLE B.3

**Financial impact of the measures to continue to implement  
the Tax Fairness Action Plan**  
(millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	Total
Maintaining efforts regarding corporate transparency <sup>(1)</sup>	-3.3	-4.2	-3.4	-1.1	-1.0	-13.0
Maintaining efforts in residential construction <sup>(2)</sup>	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
<b>TOTAL</b>	<b>-5.3</b>	<b>-6.2</b>	<b>-5.4</b>	<b>-3.1</b>	<b>-3.0</b>	<b>-23.0</b>

(1) The appropriations will be granted to the Ministère du Travail, de l'Emploi et de la Solidarité sociale. The amounts earmarked for 2022-2023 will be drawn from the Contingency Fund.

(2) The appropriations will be granted for the Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government. The amounts earmarked for 2022-2023 will be drawn from the Contingency Fund.

## **2. FACILITATING TAXPAYER COMPLIANCE**

The use of information technologies is increasing at great speed, accentuated further by the pandemic. Many sectors of the economy are turning to information technologies to achieve productivity gains and to simplify and automate administrative tasks. These advances are allowing citizens and businesses to save time and to comply much more easily with their administrative obligations.

Such changes can be beneficial for taxpayers. Many tax administrations throughout the world have deployed innovative solutions making use of the new possibilities provided by advances in technology to make it easier for taxpayers to fulfil their tax obligations.

### **2.1 Transforming service delivery at Revenu Québec**

Revenu Québec aims to continuously improve its service delivery to better meet the needs of its clients, in particular by streamlining and simplifying administrative obligations. To do so, the services provided must put citizens first and increasingly incorporate the use of efficient, modern technological tools. The incorporation of these tools is one of the solutions that will allow Revenu Québec to transform its service delivery and simplify the steps taxpayers need to take in meeting their tax obligations.

With this in mind, Revenu Québec will deploy project VISION, which is aimed at transforming the provision of services to individuals and businesses into a simplified, more efficient, digital tax administration model. This large-scale project will allow the gradual implementation of innovative solutions to benefit taxpayers.

Project VISION focuses on five main areas:

- simplifying the client experience;
- improving services to businesses;
- strengthening information security;
- fighting tax evasion and fraud;
- modernizing computer systems.

In addition, since meeting tax obligations will be made easier, a larger number of taxpayers can be expected to fulfil their responsibilities with no intervention from Revenu Québec, which will benefit all Quebecers.

To launch project VISION, the government is providing \$123.4 million over five years.

## **2.2 Facilitating compliance with tax obligations in the residential renovation sector**

Residential renovation companies must make sure to meet their many obligations, in particular fiscal ones. Project VISION will allow Revenu Québec to help contractors fulfill the latter more easily.

For this purpose, Revenu Québec will step up consultations with industry representatives and, in collaboration with contractors, will test the possibilities offered by the web version of the sales recording module (SRM-WEB) in the residential renovation sector. This technology integrates into applications used by businesses. Information would thus be transmitted continuously and completely securely.

## **2.3 Lightening the administrative burden in the restaurant and bar sector**

To ensure fairness in the restaurant and bar sector, starting in 2011 Revenu Québec implemented mandatory billing measures, in particular by requiring operators to give consumers an invoice produced by a sales recording module (SRM). These measures have considerably increased self-assessment in this sector, which was previously considered high-risk.

Revenu Québec has continued the technological evolution of the SRM by developing SRM-WEB, an upgraded version of the initial SRM.

A chief advantage of this solution is that it does not require the presence of a physical device, and reduces administrative burden by eliminating the need to produce monthly sales summaries.

In addition, customers will be able to receive invoices electronically, which is not possible under current regulations.

Revenu Québec plans to transition to SRM-WEB beginning in spring 2023. Legislative amendments will therefore be required.

## **2.4 Strengthening information security**

Revenu Québec already devotes considerable effort to keeping the information it holds secure. The digital transformation it is embarking on will result in an increase in the number of electronic exchanges of information. This information is confidential and highly sensitive for taxpayers. This means that the digital shift undertaken by Revenu Québec must be accompanied by investments in information security.

To ensure that these new developments are carried out securely, the government will invest in information security from the outset, so that this technological shift meets the highest standards of security.

The government is providing \$29.3 million over five years for this purpose.

## 2.5 Taking action in the solid waste removal sector

Since 2010, the Revenu Québec attestation has been gradually implemented in various sectors of activity in order to fight tax evasion and unreported work. To date, this attestation is required for, among other things:

- concluding certain public contracts, as well as for certain contracts in the construction and public building cleaning services sectors;
- obtaining or renewing the permit issued by the Commission des normes, de l'équité, de la santé et de la sécurité du travail that employment agencies must hold in order to operate in Québec.

The implementation of the attestation allows Revenu Québec to intervene more effectively with companies at risk. The results show that it is an effective way to foster tax compliance.

In Québec, the majority of contractors in the solid waste removal sector are subject to decrees that set out the working conditions, in order to avoid unfair competition. Despite this, the sector is still subject to various tax evasion situations, including unreported work and false invoicing.

In this regard, sector representatives have requested that Revenu Québec implement solutions to eliminate the problems observed.

- An advisory committee will therefore be created with the parties concerned to determine the means to be put in place, such as the Revenu Québec attestation, to reduce tax evasion in this sector.

TABLE B.4

### Financial impact of the measures to facilitate taxpayer compliance (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	Total
Transforming service delivery at Revenu Québec <sup>(1)</sup>	-22.0	-24.2	-26.6	-25.3	-25.3	-123.4
Strengthening information security <sup>(1)</sup>	-4.7	-4.5	-6.7	-6.7	-6.7	-29.3
<b>TOTAL</b>	<b>-26.7</b>	<b>-28.7</b>	<b>-33.3</b>	<b>-32.0</b>	<b>-32.0</b>	<b>-152.7</b>

(1) The amounts will be drawn from the Tax Administration Fund.



### **3. STEPPING UP THE FIGHT AGAINST ECONOMIC CRIME**

In order to step up the fight against economic crime, the government is implementing targeted initiatives to address specific situations. These initiatives increase the detection and suppression of these illegal activities.

#### **3.1 Leveraging concerted actions to combat fraud against the government**

Since attempts to defraud the state are becoming more frequent, the Québec government has increased its activities to combat these crimes over the last few years.

However, the investigations to be carried out to counter them are becoming increasingly numerous and complex. In particular, they require:

- a high level of expertise and the use of investigation tools at the cutting edge of technology;
- an increase in the concerted efforts of the partners in fighting these crimes.

Under Budget 2022-2023, the government is increasing funding to partners involved in combatting fraud against the government, which will:

- enable the setting up of a joint investigation team made up of the Ministère du Travail, de l'Emploi et de la Solidarité sociale, the Sûreté du Québec and Revenu Québec;
- strengthen the investigative capacity of the Sûreté du Québec and improve its capacity to provide technological assistance to government departments and bodies that are victims of fraud;
- step up the activities of the Laboratoire de sciences judiciaires et de médecine légale, in particular with respect to the analysis of false documents and the provision of training to employees of government departments and bodies that are victims of fraud.

An annual amount of \$2 million is planned beginning in 2022-2023.



### 3.2 Stepping up the fight against economic crime involving cryptoassets

New prospects in the financial sector are based on blockchain technology, resulting in the presence of online cryptoasset exchange platforms, among other things.

However, the growing hype for this type of asset as well as the confidentiality afforded by cryptoasset markets are fertile grounds for the emergence of new types of crime, including:

- the creation of illicit financial products;
- the use of illegal, abusive or fraudulent practices;
- the use of ransomware and the theft of cryptoassets;
- the implementation of tax evasion and money laundering schemes.

#### ☐ Boosting inspections and audits of cryptoasset money-services businesses

Since the transfer of responsibilities concerning the *Money-Services Business Act*<sup>9</sup> to Revenu Québec in the fall of 2021, the agency has conducted over 700 inspections of money-services businesses.

In order to ensure that online trading platforms and cryptoasset ATMs comply with their obligations, Revenu Québec will boost its inspection and auditing activities in this regard.

#### ☐ Continuing to develop expertise in investigating cryptoassets

The cryptoasset industry is rapidly evolving, along with the criminal schemes involving such assets. It is therefore crucial that the training of investigators from the authorities responsible, in particular the Sûreté du Québec and the Autorité des marchés financiers, be continually updated.

The government is ensuring that the expertise of government departments and bodies remains at the forefront of best practices in combatting cryptoasset crime.

In particular, this expertise is shared with government partners through working groups, including the interagency committee on cryptocurrencies.

---

<sup>9</sup> CQLR, chapter E-12.000001.

### **Interagency committee on cryptocurrencies**

Set up in 2021, the interagency committee on cryptocurrencies<sup>1</sup> has begun its work to propose solutions adapted to the cryptoasset industry and develop best practices across government departments and bodies.

The committee is focusing its efforts on three main areas, namely the:

- sharing and development of expertise in the cryptoasset field;
- analysis and consideration of the current legislative and regulatory framework;
- sharing of information among government departments and bodies.

The committee's work will better protect Quebecers from fraud and cyber threats, in addition to enabling the government to more effectively combat tax evasion and money laundering schemes involving cryptoassets.

This work will ensure that the cryptoasset industry develops in a secure and fair environment for all.

<sup>1</sup> The interagency committee on cryptocurrencies brings together the Autorité des marchés financiers, Revenu Québec, the Sûreté du Québec, the Canada Revenue Agency and the Ministère des Finances du Québec.

## ❑ **Combatting illegal and abusive practices in the cryptoasset industry on the financial markets**

Given the significant increase in complaints and reports of illegal and unfair practices and various frauds involving cryptoassets, the government is providing funding, in Budget 2022-2023, of \$1 million annually as of 2022-2023 to:

- quickly address this problematic situation;
- leverage the expertise and skills of the investigative staff of the Autorité des marchés financiers;
- promote the sharing of expertise and knowledge among law enforcement bodies;
- conduct complex investigations of these types of activities.

TABLE B.5

### **Financial impact of the measures to step up the fight against economic crime** (millions of dollars)

	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	Total
Leveraging concerted actions to combat fraud against the government <sup>(1)</sup>	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Stepping up the fight against economic crime involving cryptoassets <sup>(1)</sup>	-1.0	-1.0	-1.0	-1.0	-1.0	-5.0
<b>TOTAL</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-15.0</b>

(1) The appropriations will be granted for the Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government. The amounts earmarked for 2022-2023 will be drawn from the Contingency Fund.

## 4. FOLLOWING UP ON ACTIONS TAKEN TO COMBAT TAX EVASION AND FRAUD AGAINST THE GOVERNMENT

The government's initiatives to promote the integrity of the tax system and healthy competition, and to combat fraud against the government, include concerted actions by various government departments and bodies.

In 2021-2022, the government funded concerted actions to combat:

- unreported work in the construction sector;
- tobacco, cannabis and alcohol smuggling;
- economic and financial crimes, and fraud against the government.

<b>Concerted actions to combat tax evasion and fraud against the government</b>
<p>The effectiveness of the government's committees and projects to combat tax evasion and fraud against the government depends on the concerted efforts of the partners.</p> <p>These partners benefit from the expertise of other committee members, which varies according to their assigned roles, responsibilities and powers.</p> <p>Their coordinated work enables them to:</p> <ul style="list-style-type: none"> <li>— establish policy directions in the fight against crime and offences;</li> <li>— identify key areas for investigative unit interventions;</li> <li>— analyze the legal aspects of investigations and propose legislative amendments as needed;</li> <li>— improve information sharing among the partners;</li> <li>— help develop and improve the training offered to partners.</li> </ul>

## 4.1 The fight against unreported work in the construction sector (ACCES construction)

The construction sector represents a major share of Québec's economy. It is also an industry strongly impacted by tax evasion, unreported work and non-compliance with other legal obligations.

The ACCES construction committee<sup>10</sup> brings together government departments and bodies that implement joint interventions to combat unreported work and tax evasion in the construction sector. The exchange of information and the presence of the committee's partners on the job sites help ensure greater compliance in the construction industry.

### Example of an intervention by ACCES construction

As part of its auditing activities for 2021-2022, the Commission de la construction du Québec intervened with a major demolition company.

During the audits, it was found that about 60 employees were working for this company without having their hours declared to the Commission de la construction du Québec, and that about 50 of them had no source deductions from their wages. In addition, these workers did not have the legally required competency certificate to perform construction work and were paid in cash.

The audits done revealed several accounting anomalies. Among other things, it was detected that more than \$1 million in cheques were cashed at cheque-cashing centres, and that the employer was unable to forward supporting documentation for transactions amounting to \$8 million.

The Commission de la construction du Québec claimed nearly \$650 000 from this company in less than two years and forwarded all relevant information to Revenu Québec regarding tax evasion or false invoicing by this company or one of its subcontractors.

Source: Commission de la construction du Québec.

<sup>10</sup> ACCES construction brings together the Commission de la construction du Québec, the Régie du bâtiment du Québec, the Commission des normes, de l'équité, de la santé et de la sécurité du travail, the Registraire des entreprises du Québec, the Autorité des marchés publics, Revenu Québec, the Ministère du Travail, de l'Emploi et de la Solidarité sociale, the Director of Criminal and Penal Prosecutions and the Ministère des Finances du Québec.

## 4.2 The fight against smuggling

Smuggling activities are the result of, in particular, the illegal production, transportation and sale of goods on the black market in order to avoid paying the applicable taxes.

To counter this practice, the government has set up various committees comprising the police forces and government departments and bodies who are partners in the fight against tobacco, cannabis and alcohol smuggling.

### ☐ The fight against the illicit tobacco trade (ACCES tobacco)

The mission of the ACCES tobacco committee<sup>11</sup> is to dismantle smuggling networks, recover the tax losses linked to the illicit trade in tobacco and thus increase revenue from the specific tax on tobacco products.

The committee's actions target all smuggling activities, from the supply of raw materials to the sale of tobacco products to consumers. The purpose of these actions is to:

- support police interventions in the fight against smuggling networks, including neighbourhood networks;
- implement police surveillance of the main contraband tobacco supply and transportation channels;
- adapt interventions to the schemes used by smugglers;
- improve information sharing between the partners.

#### **Example of an intervention by ACCES tobacco**

Project SPECTRE, conducted by the Sûreté du Québec and the Service de police de la Ville de Montréal, involved a major tobacco-importing network from the United States.

The interventions led to the seizure of a significant amount of illicit products worth over \$4.6 million, including about 46 500 kilograms of bulk tobacco and the equivalent of nearly 29 000 cartons of 200 cigarettes.

Nearly \$1.3 million and offence-related property valued at \$700 000 were also seized.

Sources: Ministère de la Sécurité publique, Sûreté du Québec and Service de police de la Ville de Montréal.

<sup>11</sup> ACCES tobacco brings together the Sûreté du Québec, the Service de police de la Ville de Montréal, other Québec police forces represented by the Association des directeurs de police du Québec, the École nationale de police du Québec, the Ministère de la Sécurité publique, Revenu Québec, the Director of Criminal and Penal Prosecutions, the Ministère de la Santé et des Services sociaux, the Ministère des Finances du Québec, as well as the Royal Canadian Mounted Police, the Canada Revenue Agency and the Canada Border Services Agency.

**❑ The fight against the illicit cannabis trade  
(ACCES cannabis)**

The ACCES cannabis committee<sup>12</sup> was established in 2018 to combat the illicit cannabis trade and direct consumers to the legal market.

Committee partners help detect the schemes used by smugglers and counter their operations by conducting investigations.

In particular, the committee’s mandate includes:

- reducing the availability of illegal cannabis to youth under 21;
- directing consumers aged 21 and over to the legal market;
- disrupting the illicit cannabis supply chain.

**The government’s approach to the legalization of cannabis**

The rollout of new Société québécoise du cannabis outlets across Québec, the efficiency of its online sales platform and the actions of ACCES cannabis are helping cannabis consumers transition to the safer, legal market.

For 2021-2022, the Ministère des Finances du Québec estimates that the total market share of legal cannabis products will reach 62%. This rate has been steadily increasing since 2018, demonstrating that the government’s approach is working.

Source: Ministère des Finances du Québec.

<sup>12</sup> ACCES cannabis brings together the Sûreté du Québec, the Service de police de la Ville de Montréal, the Service de police de la Ville de Québec, Québec’s other police forces represented by the Association des directeurs de police du Québec, the École nationale de police du Québec, the Ministère de la Sécurité publique, Revenu Québec, the Director of Criminal and Penal Prosecutions, the Ministère de la Santé et des Services sociaux, the Société québécoise du cannabis, and the Ministère des Finances du Québec.

The funding provided to the ACCES cannabis committee enables the assignment of more than 120 resources across Québec to effectively combat the illicit trade and smuggling networks, in particular through investigations.

### **Example of interventions by ACCES cannabis**

#### **Project POSTCURE**

Project POSTCURE, conducted by the Sûreté du Québec with the support of the Service de police de la Ville de Montréal, targeted illegal online cannabis sales sites and several cannabis production sites. The investigation made it possible to target the criminal organization that controlled these sites and put an end to the illegal sale.

More than 25 raids resulted in the seizure of more than 155 kilograms of bulk cannabis, more than 3 000 cannabis plants, edibles, nearly \$500 000 in cash and \$18 000 in cryptocurrency. In addition, several buildings, bank accounts and vehicles valued at \$6.5 million were subject to restraint orders or seizures of offence-related property.

#### **Investigation by the Service de police de la Ville de Montréal**

This investigation by the Service de police de la Ville de Montréal targeted an illegal cannabis production network that fraudulently used medical cannabis registration certificates issued by Health Canada.

Following Info-Crime tips, the investigation showed that a company was illegally producing cannabis for subsequent sale on the illicit market, and led to the arrest of four individuals.

The raids resulted in the seizure of more than 540 kilograms of cannabis, 4 110 cannabis plants and equipment worth more than \$300 000.

Sources: Ministère de la Sécurité publique, Sûreté du Québec and Service de police de la Ville de Montréal.



## ❑ **The fight against the illicit trade in alcoholic beverages (ACCES alcohol)**

The ACCES alcohol committee<sup>13</sup> allows for targeted actions by various Québec police forces to combat the illegal procurement of alcoholic beverages and their illicit trade.

These actions targeting the entire supply chain are divided into two main types of intervention:

- inspections of establishments holding a liquor permit for consumption on the premises, which allow the detection of any offences involving the trade in alcoholic beverages;
- investigations aimed at detecting schemes for the illicit production, distribution and sale of alcoholic beverages.

These interventions ensure public safety, guarantee healthy competition in the alcoholic beverage trade and reduce revenue losses for the government.

In 2021-2022, the Sûreté du Québec implemented a new investigation team to combat the smuggling of alcoholic beverages. This team increases the investigative capabilities to combat the illicit trade in alcoholic beverages and thus to fight the new schemes developed by smugglers more effectively.

### **Examples of interventions by ACCES alcohol**

#### **Investigations by the Service de police de la Ville de Montréal**

In 2021, two investigations by the Service de police de la Ville de Montréal put an end to illegal schemes for the resale of alcohol in Nord-du-Québec. Smugglers purchased bottles of alcohol in the Montréal area and shipped them to northern villages. In total, nearly 660 bottles of alcohol were seized. One of the two investigations also resulted in the seizure of hashish, cannabis, cocaine and over 500 methamphetamine tablets.

#### **Investigation by the Service de police de Laval**

Also in 2021, the Service de police de Laval shut down the operations of an underground bar. The two owners, who were using another establishment's liquor licence, were charged with selling liquor without a licence. Twenty-eight people at the bar were taken in for questioning, and a search led to the seizure of over 700 bottles of beer, wine and spirits.

Sources: Ministère de la Sécurité publique, Service de police de la Ville de Montréal and Service de police de Laval.

<sup>13</sup> ACCES alcohol brings together the Sûreté du Québec, the Service de police de la Ville de Montréal, the other Québec police forces represented by the Association des directeurs de police du Québec, the École nationale de police du Québec, the Ministère de la Sécurité publique, Revenu Québec, the Director of Criminal and Penal Prosecutions, the Régie des alcools, des courses et des jeux, the Société des alcools du Québec and the Ministère des Finances du Québec.

### 4.3 The fight against economic and financial crime, and fraud against the government

Economic and financial crime, fraud against the government and organized networks of unreported work result in significant losses for the Québec government.

Since investigating such crimes is very complex, the Québec government has brought together the stakeholders in fighting them through the ACCEF committee<sup>14</sup> and the Forum contre la fraude envers l'État.<sup>15</sup>

- The partners can thus combine their complementary expertise, so as to fight these types of crime more effectively.

#### **□ The fight against economic and financial crime (ACCEF)**

The partners of the ACCEF committee are tasked with detecting and repressing organized economic and financial crime. Their extensive expertise allows them to effectively combat:

- complex tax evasion and money laundering schemes;
- crimes committed in the financial markets;
- laundering of the proceeds of crime.

In particular, the committee's structure allows it to respond quickly and appropriately to new criminal schemes that are detected. Among other things, partner observations have contributed to:

- implementing the *Money-Services Business Act*, which, among other things, effectively combats money laundering schemes involving money-services businesses;
- intensifying efforts to combat fraud against the government;
- stepping up the fight against economic crime involving cryptoassets.

<sup>14</sup> Actions concertées contre les crimes économiques et financiers (concerted actions against economic and financial crime). The members of this committee are the Sûreté du Québec, the Service de police de la Ville de Montréal, the Ministère de la Sécurité publique, Revenu Québec, the Director of Criminal and Penal Prosecutions, the Autorité des marchés financiers, and the Ministère des Finances du Québec.

<sup>15</sup> Coordinated by the Ministère de la Sécurité publique, the forum consists of more than ten partner government departments and bodies involved in fighting fraud against the government.

## Examples of interventions by ACCEF

### **Marsan Exchange Inc. investigation**

In September 2021, the Financial Markets Administrative Tribunal ordered the freezing of assets and various prohibitions from practising the activity of broker or investment advisor with respect to Marsan Exchange Inc. and three individuals.

These individuals had made securities investments without being authorized to do so, by launching a new digital token called MRS via a decentralized exchange platform.

### **Hope Token cryptocurrency investigation**

In August 2021, the Financial Markets Administrative Tribunal banned six individuals from trading in securities and operating as brokers or investment advisors. These individuals had been marketing a cryptocurrency and promoting it through websites and social media.

These promoters had illegally solicited hundreds of investors. The resulting investments have an estimated total value of nearly \$4 million.

### **Nuvoo Inc. project investigation**

In October 2021, the Financial Markets Administrative Tribunal imposed \$100 000 in penalties on two individuals, in addition to prohibiting them and two companies from trading in securities.

The Nuvoo project offered investment packages in cryptoasset mining activities to the public. The Financial Markets Administrative Tribunal concluded that this was an investment contract and that a prospectus was required for these companies to operate.

Source: Autorité des marchés financiers.

## ❑ Combatting fraud against the government

Fraud schemes against the government are becoming increasingly complex and frequent, which requires effective actions to counter them.

The government has therefore set up a team at the Sûreté du Québec to conduct investigations in cooperation with the government departments and bodies that are victims of this type of crime. The work of the Sûreté du Québec involves:

- coordinating criminal and penal investigations;
- supporting the training of investigators within government departments and bodies;
- providing technological support for complex investigations.

In addition, since fraud against the government often involves the use of falsified or counterfeit documents, the government departments and bodies who are victims of fraud can count on the expertise of the Laboratoire de sciences judiciaires et de médecine légale to:

- obtain training to quickly spot fake IDs;
- examine disputed documents to determine their authenticity or to determine whether they are falsified or counterfeit.

### Examples of interventions in combatting fraud against the government

#### **PATRIE investigation**

The PATRIE investigation conducted by the Ministère du Travail, de l'Emploi et de la Solidarité sociale and the Sûreté du Québec concerned a scheme involving false identities.

The suspect had fraudulently acquired several hundred thousand dollars in a few months using some 20 fraudulent profiles. He was arrested in June 2021.

#### **ACADÉMIX investigation**

The ACADÉMIX investigation conducted by the Ministère du Travail, de l'Emploi et de la Solidarité sociale concerned an individual who committed fraud under the Emploi-Québec wage subsidy program in connection with a non-profit organization.

The scheme included the use of wage subsidies for personal use, through the use of false documents and a fake name.

Sources: Sûreté du Québec, Ministère de la Sécurité publique and Ministère du Travail, de l'Emploi et de la Solidarité sociale.

**❑ The fight against organized networks of unreported work**

The Ministère du Travail, de l'Emploi et de la Solidarité sociale and its partners have been working together since 2011 to combat criminal networks linked to employment agencies.

- These networks exploit vulnerable workers, often newcomers, generally by paying them in cash, thereby depriving them of the protections and employee benefits provided for in Québec.
- Fraudulent employment agencies also neglect to report their income, which generates significant tax losses for the Québec government.

The concerted actions of the partners help identify these networks, recover sums owed to the government, take deterrent action and support the entry into the legal labour market of people who have performed unreported work.

Example of an intervention in the fight against organized networks of unreported work
<p>The TENDANCE investigation, conducted by the Ministère du Travail, de l'Emploi et de la Solidarité sociale, concerned a scheme involving two suspects, an employment agency and 12 clients.</p> <p>The scheme involved:</p> <ul style="list-style-type: none"><li>— hiring recipients of last-resort financial assistance under the table;</li><li>— using cheque-cashing centres or cash to pay employees;</li><li>— failing to report to the government employment income paid to employees.</li></ul> <p>The investigation led to two raids in collaboration with the Sûreté du Québec and to the identification of 857 workers, including 57 who had unduly benefited from last-resort financial assistance.</p>

Source: Ministère du Travail, de l'Emploi et de la Solidarité sociale.

## 4.4 Return on and funding for concerted actions

To enable government departments and bodies to work together to combat tax evasion and fraud against the government, the Ministère des Finances du Québec grants them funding from, in particular, the Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government (Provision).

- This ensures that these departments and bodies benefit from the expertise of other committee members, establish policy directions, analyze certain legal aspects and improve information sharing.

### ☐ Results of concerted actions to combat tax evasion and fraud against the government

In 2020-2021, the concerted actions to combat tax evasion and fraud against the government funded by the Provision yielded a total return of more than \$470 million.

- The return per dollar invested in projects funded by the Provision was \$9.68.

TABLE B.6

#### **Total return on concerted actions funded by the Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government**

(millions of dollars, unless otherwise indicated)

	2020-2021
ACCES construction	156.1
ACCES tobacco	182.4
ACCESS alcohol	91.1
ACCEF and combatting fraud against the government <sup>(1)</sup>	44.0
<b>TOTAL</b>	<b>473.6</b>
Funding granted to partners <sup>(2)</sup>	48.9
<b>RETURN PER DOLLAR INVESTED (IN DOLLARS)</b>	<b>9.68</b>

Note: Totals may not add due to rounding.

(1) Includes the fight against organized networks of unreported work.

(2) Some projects funded by the Provision have objectives that do not translate into a monetary return. The funding of these projects is excluded from the amount used to calculate the return per dollar invested and funded by the Provision.

## Funding for concerted actions

In 2021-2022, the Ministère des Finances du Québec allocated \$77.1 million to fund concerted actions to fight tax evasion and fraud against the government.

TABLE B.7

**Funding for concerted actions to combat tax evasion and fraud against the government in 2021-2022**  
(millions of dollars)

	Provision <sup>(1)</sup>	Fund <sup>(2)</sup>	Total
ACCES construction	8.8	—	8.8
ACCES tobacco	16.3	—	16.3
ACCES cannabis	—	23.9	23.9
ACCESS alcohol	4.4	2.7	7.1
ACCEF	15.6	—	15.6
Combatting fraud against the government	3.1	—	3.1
Other initiatives	1.9	0.4	2.3
<b>TOTAL</b>	<b>50.1</b>	<b>27.0</b>	<b>77.1</b>

(1) Provision to increase any appropriation for initiatives concerning revenues of and fraud against the government.

(2) Fund to Combat Addiction.

Section C

REPORT ON THE APPLICATION OF THE LEGISLATION  
RESPECTING A BALANCED BUDGET AND THE  
GENERATIONS FUND

1. *Balanced Budget Act* ..... C.3

1.1 Budgetary balance within the meaning  
of the *Balanced Budget Act* ..... C.3

1.2 Stabilization reserve..... C.6

2. *Act to reduce the debt and establish  
the Generations Fund* ..... C.7

2.1 Debt reduction objectives ..... C.7

2.2 Generations Fund ..... C.9

APPENDIX: Legislative requirements ..... C.11





# 1. **BALANCED BUDGET ACT**

Pursuant to the *Balanced Budget Act*, the Minister of Finance must report to the National Assembly, in the budget speech, on the achievement of the objectives of the Act and any variance recorded.

The purpose of the *Balanced Budget Act* is to oblige the government to maintain a balanced budget and table a balanced financial framework. In general, the Act specifies the calculation of the budgetary balance, establishes a stabilization reserve and sets out the applicable rules in the case of a surplus or an overrun.

— The requirements of the *Balanced Budget Act* are set out in the Appendix.

## 1.1 **Budgetary balance within the meaning of the *Balanced Budget Act***

The objectives of the *Balanced Budget Act* are achieved if the budgetary balance, calculated in accordance with the Act, is zero or positive.<sup>1</sup>

— The budgetary balance corresponds essentially to the surplus or the deficit presented in the Public Accounts (book balance) reduced by the amount of revenues dedicated to the Generations Fund and adjusted to take certain accounting changes into consideration, if applicable.

A balanced budget as defined in the Act was maintained in 2020-2021 through the use of the stabilization reserve in the amount of \$10.8 billion.

For 2021-2022, the budgetary balance within the meaning of the Act is in deficit by \$6.1 billion after use of the \$1.2-billion stabilization reserve.

— The stabilization reserve was fully used for fiscal 2021-2022.

For 2022-2023, the budgetary balance shows a deficit of \$6.5 billion.

The *Balanced Budget Act* was amended by Bill 17,<sup>2</sup> assented to on February 24, 2022, which temporarily suspends certain effects of the *Balanced Budget Act* from 2021-2022 until the end of the fiscal year determined by the Minister, but no later than the fiscal 2023-2024 Budget Speech.

The desired effects of the suspension include:

- the prohibition of an actual or estimated budgetary deficit;
- the tabling of a plan to restore fiscal balance;
- the obligation to implement offsetting measures for overruns.

<sup>1</sup> The budgetary data for 2021-2022 and subsequent years presented in this section are forecasts.

<sup>2</sup> *An Act respecting the implementation of certain provisions of the Budget Speech of 25 March 2021 and amending other provisions* (S.Q. 2022, c. 3).

TABLE C.1

**Budgetary balance within the meaning of the *Balanced Budget Act***

(millions of dollars)

Fiscal year	Surplus (deficit) within the meaning of the Public Accounts <sup>(1)</sup>	Dedicated revenues in the Generations Fund	Accounting changes and other <sup>(2)</sup>	Budgetary balance within the meaning of the Act	Stabilization reserve		Budgetary balance within the meaning of the Act after reserve <sup>(3)</sup>
					Allocations	Uses	
2011-2012	-2 351	-840	563	-2 628	—	—	-2 628 <sup>(4)</sup>
2012-2013	-3 141	-961	2 502 <sup>(5)</sup>	-1 600	—	—	-1 600 <sup>(6)</sup>
2013-2014	-2 100	-1 121	397	-2 824	—	—	-2 824 <sup>(6)</sup>
2014-2015	-534	-1 279	1 088	-725	—	—	-725 <sup>(6)</sup>
2015-2016	3 456	-1 453	188	2 191	-2 191	—	—
2016-2017	4 147	-2 001	215	2 361	-2 361	—	—
2017-2018	3 014	-2 293	1 901	2 622	-2 622	—	—
2018-2019	7 890	-3 477	390	4 803	-4 803	—	—
2019-2020	2 083	-2 606	527	4	-4	—	—
2020-2021	-4 226	-3 313	-3 221	-10 760	—	10 760	—
2021-2022	-3 897	-3 457	—	-7 354	—	1 221	-6 133 <sup>(7)</sup>
2022-2023	-3 005	-3 445	—	-6 450	—	—	-6 450 <sup>(7)</sup>

(1) The annual surpluses (deficits) were restated to take into account the change in the application of the accounting standard respecting transfer payments.

(2) In order to comply with the provisions of the *Balanced Budget Act*, adjustments to the restated annual surpluses and deficits in the Public Accounts are required to establish the budgetary balance. Adjustments were made to take into account the change in the application of the accounting standard respecting transfer payments and its impact on the accumulated deficit in 2020-2021.

(3) The budgetary balance within the meaning of the *Balanced Budget Act* after reserve corresponds to the budgetary balance that takes into account allocations to the stabilization reserve and uses of it in order to maintain a balanced budget or reduce the budgetary deficit.

(4) For 2011-2012, the budgetary deficit of \$2.6 billion represents an improvement of \$1.2 billion compared to the budgetary deficit target of \$3.8 billion set in the March 2011 budget pursuant to the *Balanced Budget Act*.

(5) The *Balanced Budget Act* stipulates the exclusion of the exceptional loss of \$1 876 million for the closure of the Gentilly-2 nuclear power plant from the calculation of the budgetary balance for fiscal 2012-2013.

(6) The budgetary deficits of \$1.6 billion, \$2.8 billion and \$0.7 billion recorded for 2012-2013, 2013-2014 and 2014-2015, respectively, are allowed pursuant to the *Balanced Budget Act*.

(7) The *Balanced Budget Act* was amended in order to suspend the obligation to achieve a balanced budget in 2021-2022 and 2022-2023.

**Impact of the change in the application of the accounting standard respecting transfer payments on the budgetary balance**

The application of the accounting standard respecting transfer payments to the government's financial statements increased the accumulated deficit and net debt by \$12 504 million as at April 1, 2020. This is the retroactive impact to 2020-2021.

This accounting change is treated differently for the purpose of calculating the budgetary balance. A portion of the impact, \$3 221 million, is considered in the calculation of the budgetary balance. It is added to the budget deficit balance of \$7 539 million related to 2020-2021 operations, bringing the balance to \$10 760 million. This is explained as follows:

- as the *Balanced Budget Act* does not allow for the restatement of a past budgetary balance, the impact of a retroactive change must be charged in the year of the change;
- since the provisions of the Act did not apply to fiscal years 2009-2010 to 2014-2015, the amounts resulting from the accounting change relating to those fiscal years, \$9 283 million in total, must be excluded from the calculation of the budgetary balance as defined in the Act.

## 1.2 Stabilization reserve

Under the *Balanced Budget Act*, a recorded surplus, that is, a budgetary balance that is greater than zero, must be allocated to the stabilization reserve.

This reserve is a budgetary tool that was established to facilitate multi-year planning of the government's financial framework.

The balance of the stabilization reserve is adjusted on the basis of recorded surpluses allocated to the reserve or sums used from the reserve for each fiscal year.

The reserve acts like a counter made up of surpluses achieved, but it does not consist of surplus cash, as generated surpluses are used to reduce the debt. In other words, the stabilization reserve is not money in the bank. Its use gives rise to an increase in the debt.

Taking into account the budgetary deficit of \$10.8 billion in 2020-2021 and a deficit greater than the balance of the stabilization reserve in 2021-2022, the balance of the stabilization reserve will be zero as at March 31, 2022.

TABLE C.2

### Operations of the stabilization reserve

(millions of dollars)

Fiscal year	Balance, beginning of year	Allocations	Uses		Balance, end of year
			Balanced budget	Generations Fund	
2015-2016	—	2 191	—	—	2 191
2016-2017	2 191	2 361	—	—	4 552
2017-2018	4 552	2 622	—	—	7 174
2018-2019	7 174	4 803	—	—	11 977
2019-2020	11 977	4	—	—	11 981
2020-2021	11 981	—	-10 760	—	1 221
2021-2022	1 221	—	-1 221	—	—
2022-2023	—	—	—	—	—

## 2. ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND

### 2.1 Debt reduction objectives

The following debt reduction objectives are set forth in the *Act to reduce the debt and establish the Generations Fund* for fiscal 2025-2026:

- the gross debt must not exceed 45% of GDP;
- the debt representing accumulated deficits must not exceed 17% of GDP.

The requirements of the *Act to reduce the debt and establish the Generations Fund* are set out in the Appendix.

#### □ Debt reduction

As at March 31, 2022, the gross debt will stand at 43.1% of GDP. Despite the increase in debt caused by the pandemic, the government expects the objective regarding gross debt to be attained. The gross debt-to-GDP ratio will stand at 41.9% as at March 31, 2026, which is below the 45% objective.

However, the objective for debt representing accumulated deficits to GDP will not be met. It is currently expected to stand at 19.2% as at March 31, 2026, a gap of 2.2 percentage points compared to the 17% objective.<sup>3</sup>

CHART C.1

#### Gross debt as at March 31

(percentage of GDP)

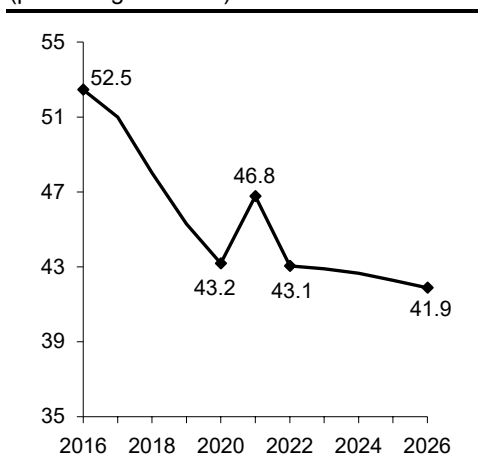
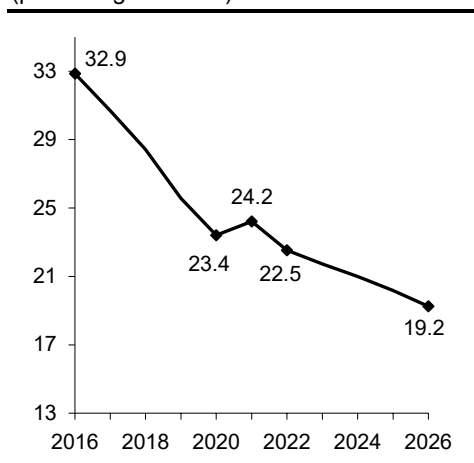


CHART C.2

#### Debt representing accumulated deficits as at March 31

(percentage of GDP)



<sup>3</sup> Section J of the *Québec Budget Plan – March 2022* provides detailed information on the Québec government's debt.

The government intends to propose changes to the *Act to reduce the debt and establish the Generations Fund* in Budget 2023-2024. A new debt reduction objective covering the next 10 or 15 years will then be set.

The target will need to consider the challenges facing Québec now and those it will face in the coming years. Among these are population aging, greenhouse gas (GHG) reduction and Québec's needs in terms of public infrastructure.

Reducing the debt burden remains a priority for the government. Pending the setting of a new debt target, the government intends to pursue a gradual reduction of the debt burden beyond 2025-2026.

## 2.2 Generations Fund

### ❑ Deposits in the Generations Fund

Deposits in the Generations Fund help to reduce the debt and thus to improve intergenerational fairness. Therefore, the government will maintain these deposits.

In 2022-2023, deposits of dedicated revenues in the Generations Fund will amount to \$3.4 billion.

Deposits in the Fund come mainly from:

- water-power royalties by Hydro-Québec and private producers of hydro-electricity;
- revenue stemming from the indexation of the price of heritage electricity;
- an additional contribution of \$215 million per year from Hydro-Québec;
- mining revenues collected by the government;
- an amount of \$500 million per year drawn from the specific tax on alcoholic beverages;
- investment income.

TABLE C.3

### Generations Fund (millions of dollars)

	March 2021 <sup>(1)</sup>		March 2022					
	2021-2022	Adjustments	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027
Book value, beginning of year <sup>(2)</sup>	11 913	299	12 212	15 669	19 114	23 049	27 429	32 051
Dedicated revenues								
Water-power royalties								
Hydro-Québec	739	16	755	763	801	830	849	882
Private producers	104	-4	100	107	109	111	113	116
Subtotal	843	12	855	870	910	941	962	998
Indexation of the price of heritage electricity	495	-7	488	535	775	970	1 105	1 215
Additional contribution from Hydro-Québec	215	—	215	215	215	215	215	215
Mining revenues	395	417	812	484	409	358	375	340
Specific tax on alcoholic beverages	500	—	500	500	500	500	500	500
Unclaimed property	27	—	27	55	171	249	111	109
Investment income <sup>(3)</sup>	605	-45	560	786	955	1 147	1 354	1 577
Total dedicated revenues	3 080	377	3 457	3 445	3 935	4 380	4 622	4 954
BOOK VALUE, END OF YEAR	14 993	676	15 669	19 114	23 049	27 429	32 051	37 005

(1) This is the March 2021 budget forecast.

(2) For information purposes, as at December 31, 2021, the fair value of the Generations Fund was \$16.0 billion, \$1.3 billion more than its book value.

(3) The investment income of the Generations Fund corresponds to realized investment income (interest income, dividends, gains on the disposal of assets, etc.). Therefore, the forecast may be adjusted upward or downward according to when the gains or losses are actually realized. An annual return of 4.8% is expected, a rate based on five historic years.

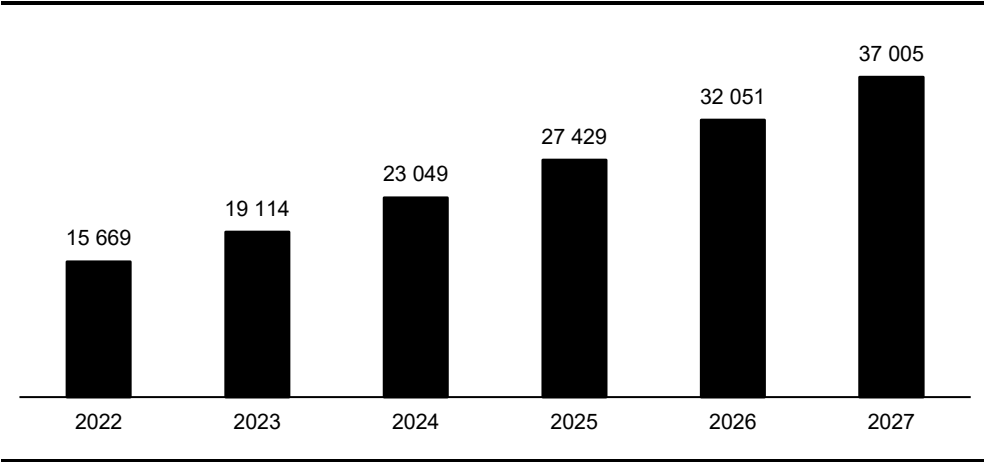


❑ **Evolution of the Generations Fund**

Taking into account the deposits made since the creation of the Fund and those forecast, as well as the use of the Fund to repay borrowings on financial markets, the book value of the Generations Fund will stand at \$19.1 billion as at March 31, 2023.

CHART C.3

**Growth in the book value of the Generations Fund as at March 31**  
(millions of dollars)



## APPENDIX: LEGISLATIVE REQUIREMENTS

### ❑ ***Balanced Budget Act***

The *Balanced Budget Act* (CQLR, chapter E-12.00001) was passed unanimously by the National Assembly on December 19, 1996. The Act stipulates that the government must table balanced budget estimates and sets out the applicable rules in the case of a surplus or an overrun.

Under the *Balanced Budget Act*, if an overrun of less than \$1 billion is recorded for a fiscal year, the government must achieve an equivalent surplus in the next fiscal year.

The Act stipulates that the government may incur overruns for a period of more than one year, where such overruns total at least \$1 billion as a result of circumstances defined in the Act, namely, a disaster having a major impact on revenue or expenditure, a significant deterioration of economic conditions or a change in federal programs of transfer payments to the provinces that would substantially reduce transfer payments to the government.

If there is an overrun of at least \$1 billion, the Minister of Finance must report to the National Assembly on the circumstances justifying that the government incur such overruns. In addition, the Minister must present a financial plan allowing those overruns to be offset within a five-year period and apply offsetting measures covering at least \$1 billion as of the fiscal year in which such an overrun is anticipated, or the following year in the case where an overrun is recorded. He must offset at least 75% of those overruns within the first four fiscal years of that period.

The Act also establishes a stabilization reserve in order to facilitate the government's multi-year budget planning and, subsidiarily, to allow sums to be deposited in the Generations Fund. Any surpluses recorded for a fiscal year are automatically allocated to this reserve whose main purpose is to maintain a balanced budget.

Lastly, the Act stipulates that the Minister of Finance must report to the National Assembly, in the budget speech, on the objectives of the Act, their achievement and any variance recorded, and on the operations of the stabilization reserve.

## ❑ **Act to reduce the debt and establish the Generations Fund**

The *Act to reduce the debt and establish the Generations Fund* (CQLR, chapter R-2.2.0.1) was passed on June 15, 2006. This statute established the Generations Fund, a fund dedicated exclusively to repaying the gross debt.

In 2010, the Act was amended to revise the concepts of debt used and the debt reduction objectives that must be achieved by 2025-2026.

The Act stipulates that, for fiscal 2025-2026, the gross debt must not exceed 45% of GDP, and the debt representing accumulated deficits must not exceed 17% of GDP.

Under the provisions of the Act, the Generations Fund is made up of the following sums from revenue sources dedicated to debt repayment:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- part of Hydro-Québec's earnings on the sale of electricity outside Québec as a result of its increased generating capacity;<sup>4</sup>
- revenues from the indexation of the price of heritage electricity since 2014;
- fees or charges for water withdrawal;<sup>4</sup>
- since 2015-2016, the total fees, duties, rentals and mining royalties provided for in the *Mining Tax Act* and the *Mining Act*. This amount is established once the duties allocated to the mining heritage and mining activity management components of the Natural Resources Fund have been subtracted;
- in 2014-2015 and 2015-2016, \$100 million a year, increasing to \$500 million a year as of 2016-2017, from the specific tax on alcoholic beverages;
- from 2017-2018 to 2043-2044, \$215 million per year from Hydro-Québec;
- sale of government assets, rights or securities;<sup>4</sup>
- unclaimed property administered by Revenu Québec;
- gifts, legacies and other contributions received by the Minister of Finance;
- income generated by the investment of the sums making up the Generations Fund.

The Act allows the government to order that a part, which it establishes, of any sum that would otherwise have been attributed to the General Fund of the Consolidated Revenue Fund be allocated to the Generations Fund.

Similarly, that Act authorizes the government, subject to the provisions of the *Balanced Budget Act*, to use the stabilization reserve to deposit sums in the Generations Fund.

---

<sup>4</sup> A government order is required to set the portion of these amounts that must be allocated to the Generations Fund.

The sums constituting the Generations Fund are deposited with the Caisse de dépôt et placement du Québec and managed in accordance with an investment policy determined by the Minister of Finance, in collaboration with representatives of the Caisse.

The Act also stipulates that the Minister of Finance may take any sum from the Generations Fund and use it to repay the debt.

Lastly, the Act stipulates that the Minister of Finance must report to the National Assembly, in the budget speech, on the evolution of the debt representing accumulated deficits and of the gross debt, on the sums making up the Generations Fund and on any sums used to repay the gross debt.



Section D

MEASURES REQUIRING LEGISLATIVE OR  
REGULATORY AMENDMENTS

1. Measures requiring legislative or regulatory  
amendments..... D.3



# 1. MEASURES REQUIRING LEGISLATIVE OR REGULATORY AMENDMENTS

Certain measures presented in the 2022-2023 budget documents require legislative or regulatory amendments that are not of a fiscal nature. These amendments will be presented by the Minister of Finance in a bill aimed mainly at implementing certain provisions of the Budget Speech of March 22, 2022, or by the ministers responsible for the laws or regulations requiring amendments.

## ❑ Simplifying management of seized alcoholic beverages

When the Régie des alcools, des courses et des jeux imposes a monetary administrative penalty further to the seizure of alcoholic beverages, a court appearance is necessary to obtain authorization to destroy or eliminate these products.

In such cases, to ensure efficient use of resources, particularly police resources, the government will make amendments to the *Act respecting offences relating to alcoholic beverages* (CQLR, chapter I-8.1) to enable seized alcoholic beverages to be destroyed or eliminated after a certain period without the requirement for court authorization.

Details of this measure are set out in section B, “Action Plan to Ensure Tax Fairness,” in *Additional Information – March 2022*.

## ❑ Lightening the administrative burden in the restaurant and bar sector

Revenu Québec has continued the technological evolution of the sales recording module (SRM) by developing SRM-WEB, which represents an upgrade over the initial SRM.

— A chief advantage of this solution is that it does not require the presence of a physical device, and reduces administrative burden by eliminating the need to produce periodic sales summaries. In addition, it allows invoices to be sent to customers electronically, which is not possible under current regulations.

In order to continue the transition to SRM-WEB from spring 2023, amendments will be made to the *Act respecting the Québec sales tax* (CQLR, chapter T-0.1), the *Regulation respecting the Québec sales tax* (CQLR, chapter T-0.1, r. 2) and the *Tax Administration Act* (chapter A-6.002).

Details of this measure are set out in section B, “Action Plan to Ensure Tax Fairness,” in *Additional Information – March 2022*.



## ❑ **Giving the Caisse de dépôt et placement du Québec greater agility in the infrastructure investment sector**

The *Act respecting the Caisse de dépôt et placement du Québec* (CQLR, chapter C-2) sets out holding limits of between 30% and 51% of the shares of a company, except for certain sectors, such as real estate, in which the Caisse may hold up to 100% of a company's shares.

To make the Caisse more agile and more competitive in the infrastructure investment sector, the government will propose amendments to the *Act respecting the Caisse de dépôt et placement du Québec* so that there will be no holding limit on the shares of a company in this sector. The size that an infrastructure investment can reach will however be subject to a proposed limit of 3.5% of the Caisse's total assets.

Details of this measure are presented in section J, "The Québec Government's Debt," of the *Québec Budget Plan – March 2022*.

## ❑ **Renewing the elimination of interest on student loans for 2022-2023**

The Minister of Higher Education will propose amending the *Regulation respecting financial assistance for education expenses* (CQLR, chapter A-13.3, r. 1) so that individuals required to repay amounts obtained under student financial assistance programs do not have to pay interest on those amounts for the period from April 1, 2022 to March 31, 2023.

Consequently, the government will, on behalf of borrowers, pay the interest owing to financial institutions and set an interest rate of 0% on amounts owing to the Minister of Higher Education for the duration of the measure.

A legislative amendment will have to include all files in collection at the Ministère de l'Enseignement supérieur. A waiver of interest payment or an interest rate of 0% should therefore, depending on the case, be applied to all files in collection for the period from April 1, 2022 to March 31, 2023. This legislative amendment is required as the *Regulation respecting financial assistance for education expenses* does not authorize the Minister to make this change.

Details of this measure are presented in section D, "Investing in Education and Higher Education," of the *Québec Budget Plan – March 2022*.

[www.budget.finances.gouv.qc.ca/2022-2023](http://www.budget.finances.gouv.qc.ca/2022-2023)