

The Québec Taxation Review Committee makes public its report

Numerous enhancements to encourage labour market participation and to promote personal savings

Québec City, March 19, 2015 – The Québec Taxation Review Committee is proposing numerous enhancements to the personal taxation to encourage labour market participation and to promote personal savings. The committee recommends the establishment of a “tax shield” designed to enable households that increase their work income to protect themselves against a marked increase in their tax burden. It recommends the introduction of a premium for experienced workers to encourage workers approaching retirement or who have already retired to remain on or return to the labour market. The committee seeks to encourage personal savings and is proposing initiatives to this end.

Encourage labour market participation

To tackle the problem of high implicit marginal tax rates, the committee recommends the establishment of a “tax shield” intended to reduce the implicit marginal tax rate tied to an annual increase in income. The “tax shield” would thus allow households that increase their work income to protect themselves from a marked increase in their tax burden by limiting the loss of the refundable tax credits reducible according to income. The measure would essentially benefit taxpayers with family incomes under \$75 000.

To encourage workers who are approaching retirement age or who have already retired (experienced workers), the committee recommends the implementation of a premium for experienced workers available starting at the age of 60. The proposed measure would bolster the work incentive for workers 60 years of age or over who wish to remain on the labour market. The amount of the premium could reach \$1 500 for workers 60 to 64 years of age and \$2 500 in the case of workers 65 years of age or over.

To further reward the work effort and bolster incentives to integrate the labour market, the committee recommends the enhancement of the work premium. The enhancement that the committee is proposing would significantly affect household disposable income. The gains could reach more than \$300 for a couple with two children and more than \$150 for a person living alone. The enhancement of the work premium would benefit the most disadvantaged.

The work incentive is especially important in the current context of demographic changes. Québec’s population is ageing rapidly, which is directly affecting economic growth, because of changes in the labour force. The committee wishes to encourage labour market participation through taxation that rewards effort and fosters the initiatives that individuals undertake to enter the labour market and remain there.

Encourage personal savings

The committee recommends that existing tax tools be used more effectively with respect to saving.

It recommends that the government maintain the support accorded tax-advantaged funds, which are an important incentive for saving for retirement.

The committee recommends that the existing lifetime capital gains exemption that applies when the shares of a corporation or a farm property or a fishing property are sold be replaced by an additional RRSP contribution in order to directly foster saving for retirement. The government would better respond to the exemption's rationale, i.e. the preparation for retirement of the vendor. The additional RRSP contribution would be linked to the holding period of the enterprise. The implementation of the suggestions would require coordination across Canada.

The Québec Taxation Review Committee

At the conclusion of eight months of deliberations, the Québec Taxation Review Committee is making public its final report, entitled *Focusing on Québec's Future*. The committee presents its deliberations and reflections in the six volumes of the report and formulates 71 recommendations to the government leading to a major reform of the tax system. Chaired by Luc Godbout, Director of the Département de fiscalité at the Université de Sherbrooke, the committee comprised specialists in the realms of taxation and public policy and representatives of the business community.

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