RICHTER
BUSINESS | FAMILY OFFICE

TAX

MARCH 25, 2025

2025 QUEBEC BUDGET HIGHLIGHTS

INDIVIDUALS

- No changes to individual tax rates.
- After March 25, 2025, the additional deductions associated with the subscription of Quebec flow-through shares will be eliminated, subject to certain grandfathering, as well as the special capital gains exemption on the disposition of such shares.
- As of January 1, 2026, the refundable tax credit for child care expenses will be limited to eligible children that are under 14 years of age.
- Many tax credits will be abolished as of January 1, 2026, including the non-refundable tax credit for political contributions as well as various tax holiday measures for foreign specialists.

BUSINESSES

- No changes to corporate tax rates.
- For fiscal periods beginning after March 25, 2025, a new Quebec R&D tax credit program, the CRIC, has been introduced for research, innovation and pre-commercialization that will replace the existing Quebec R&D tax credit program. The CRIC will be similar to what was in place previously but enhanced whereby eligible expenses will now include equipment, validation, and certification. Additionally, changes will be made to the tax credit rate and to the minimum exclusion threshold that may not be advantageous where R&D expenditures exceed $1M or if corporations have a significant number of employees engaged in R&D.
- For fiscal years starting in 2026, a revised CDAE[IA] program will replace the old CDAE (E-business) tax credit. This new program will now require an AI component to be eligible and also introduces a potential reduction to the tax credit rate for subsidiaries of foreign corporations.
- The annual payroll threshold for determining eligibility for the reduced Health Services Fund (HSF) contribution rate will be frozen at $7.8M starting in 2026, ending its automatic indexation.

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OTHER MEASURES

- For insurance premiums paid after December 31, 2026, the rate of tax thereon will be increased from 9% to 9.975% to match the QST rate.
- Similar to Federal reporting requirements, Quebec will introduce a requirement to disclose foreign property held outside Canada having a cost that exceeds $100,000 at any time during a taxation year. Failure to comply with the new reporting requirement can result in significant penalties corresponding to those in the Federal tax system. These measures will apply as of a date yet to be determined.