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## Québec's Income Tax System Indexed at 2.03% for 2007

### \$340 Million in Taxpayers' Pockets

**Québec, November 15, 2006** – The Minister of Finance of Québec, Michel Audet, today announced that the personal income tax system will be indexed at a rate of 2.03%<sup>1</sup> for taxation year 2007. The indexation will apply as of next January 1 to the tax table and most tax credits .

“Indexing the tax system protects taxpayers' purchasing power against the rise in prices of goods and services. In concrete terms, indexing the tax system raises the amount of many deductions and tax credits at a rate equivalent to the increase in consumer prices observed in Québec in 2006. This will reduce the personal income tax of Québec taxpayers by \$340 million in 2007,” Minister Audet explained.

For example, in 2007, indexation will produce an additional financial gain of \$164 for a couple with two children and two work incomes totalizing \$50 000. At a family income of \$75 000, the additional financial gain will be \$199.

“Overall, since 2004, indexing Québec's tax system has resulted in tax savings of \$1.2 billion for Québec taxpayers,” the Minister noted. This reduction in tax will fully compensate taxpayers for the rise in the cost of living.

Mr. Audet observed that between 1994 and 2002, Québec's personal income tax system had not been indexed, thus reducing taxpayers' purchasing power each year. He also noted that in 2003, Quebecers were among the most heavily taxed taxpayers in North America.

## Reduction of the tax burden

The indexing of the tax system is in addition to the tax reduction measures announced in the last three budget speeches. Taken as a whole, these measures represent personal income tax relief of \$2.9 billion.

Thanks to the indexing of the tax system and other tax relief measures, Québec's tax situation has improved in relation to the other provinces in Canada. The difference in tax burden compared to the other provinces for personal income tax will be reduced from \$2.2 billion in 2003 to less than \$1 billion in 2007.

More concretely, this means that in 2003 a Québec taxpayer paid an average of \$592 more than taxpayers in the other provinces. Today, the difference has been reduced to \$269.

"With this announcement, I am reaffirming our government's commitment to index the personal income tax system for the years ahead to protect the purchasing power of Québec taxpayers and reduce their tax burden to the Canadian average," Mr. Audet concluded.

<sup>1</sup> More specifically, 2.026516%.

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