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**New Tax Reduction**

**\$106 Million for 370 000 Retired Couples**

**Québec, December 5, 2006** – The Minister of Finance of Québec, Michel Audet, accompanied by the Minister of Families, Seniors and the Status of Women, Ms. Carole Théberge, today announced that as of January 1, 2007, Québec's tax system, like the federal system, will allow the option to split certain retirement income.

Last October 31, the federal government announced changes to the tax treatment of income trusts. At the same time, it announced that, as of January 1, 2007, it would allow couples the option to split their pension income. More specifically, this measure will enable Canadian taxpayers who receive income eligible for the federal tax credit for pension income to allocate up to 50% of this income to their spouse.

"Following the federal announcement, I looked into the situation and I am pleased to announce today that, as of January 1, 2007, Québec's tax system will also allow couples the option to split their retirement income. Almost 370 000 retired couples will enjoy a tax cut of \$106 million, an average of \$286 per household," the Minister indicated.

For example, the income tax of a couple receiving eligible retirement income of \$50 000 where one of the spouses has all the retirement income and the other has none, will be reduced by \$828, representing a reduction of almost 10% of the couple's tax payable. If the couple receives eligible retirement income of \$75 000, with one of the spouses having \$60 000 and the other \$15 000, the tax reduction will be \$628.

"Retirement income splitting will make it possible to better allow for the situation faced by certain couples of older persons. Even today, it is often the case that only one of the spouses receives retirement income and must provide for the household's needs alone. This measure joins the improvement to the tax credit for home support for an older person, announced as part of the 2006-2007 budget, representing an improvement of \$74 million, which will also become effective next January 1," Minister Théberge noted.

### **January 1, 2007: \$800 million for taxpayers**

This measure is in addition to others that will apply as of next January 1 and that are designed to reduce personal income tax, in particular indexation of the tax system at a rate of just over 2%, the increase in the deduction for workers from \$500 to \$1 000 and the enhancement to the tax credit for home support of an older person. Taken as a whole, these measures represent tax relief of more than \$800 million over a full year for Québec taxpayers.

These reductions are contributing to the improvement in Québec's tax situation compared to the other provinces. The tax burden differential with the other provinces in terms of personal income tax will have been cut by more than half since 2003. This means that, in 2003, a Québec citizen paid an average of \$592 more than taxpayers in the other provinces. In 2007, this difference will be cut to \$269.

"With this announcement, I am reaffirming our government's commitment to reduce Quebecers' tax burden," Mr. Audet said. The technical details of retirement income splitting will be released at a later date.

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**Sources:** Michel Rochette  
Press Relations Officer  
Office of the Minister of Finance  
418 643-5270

Daniel Desharnais  
Press Relations Officer  
Office of the Minister of Families, Seniors and the Status of Women  
418 643-2181

## APPENDIX

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### PERSONAL INCOME TAX MEASURES IMPLEMENTED AS OF JANUARY 1, 2007 (FULL YEAR)

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	(Millions of dollars)
Tax reduction for couples with retirement income	106
Indexation of the tax system as at January 1, 2007	340
Increase in the deduction for workers from \$500 to \$1 000	288
Enhancement to the tax credit for home support of an older person	74
<b>Total</b>	<b>808</b>

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