

MINISTER'S STATEMENT CONCERNING THE TAX REDUCTION FOR COUPLES WITH RETIREMENT INCOME

Mr. President,

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.

We are acknowledging, with this measure, that pensioners and seniors have made large investments over the years and that some of their income may have come from income trusts. Splitting pension income will enable them to keep more of their income during their retirement.

This measure will reduce the tax burden of couples with eligible retirement income. Almost 370 000 retired couples will enjoy a tax cut of \$106 million, an average of \$286 per household.

By significantly increasing the disposable income of retired couples, this measure will substantially increase incentives to save and invest for retirement.

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.

This measure, whose technical details will be specified at a later date, is in addition to others that will apply as of next January 1, in particular:

- indexation of the tax system at a rate of just over 2%;
- increase in the deduction for workers from \$500 to \$1 000;
- enhancement of the tax credit for home support of an older person.

Over a full year, these measures taken as a whole represent tax relief of more than \$800 million for Québec taxpayers.

To conclude, Mr. President, in 2003, Québec taxpayers were among the most heavily taxed in North America. On average, they paid \$592 more than taxpayers in the other provinces. Today, thanks to our efforts in the last three budgets, that gap has been halved and now stands at \$269.

Our objective is clear: lower Quebecers' tax burden so that it approaches the Canadian average.

Mr. President, I ask for consent to introduce the table that illustrates what I have just said.

Thank you, Mr. President.

**APPENDIX TO THE MINISTER'S STATEMENT CONCERNING THE TAX REDUCTION
FOR COUPLES WITH RETIREMENT INCOME**

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

	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
Total	808
