

## **Determination of Net Revenue - CSST Benefit Modifications**

For your information, it has been brought to our attention that amendments have been made to the income tax system to change the application of the Quebec Income Tax Act provisions stipulating that some income replacement benefits such as those of the Commission de la santé et de la sécurité au travail (CSST) to be paid as the result of an employment injury are not taxable.

The Charest government claims that the method of determining income replacement benefits coupled with the tax treatment of taxable income, in some cases, would have increased the disposable income of the persons receiving these benefits to a level higher than that of a full-time worker.

Bear in mind that the benefits are set at 90% of net income, which is calculated by deducting from gross annual employment income federal and provincial income tax estimated for the year and contributions to the Quebec Pension Plan and to Employment Insurance.

According to the Charest government, the increase in the disposable income of workers who are accident victims is essentially based on the fact that personal tax credits and compulsory basic employee contributions are taken into consideration when determining their benefits and in the calculation of their income tax payable regarding their other income.

The Charest government felt it was a source of inequity that did not offer incentive to benefits recipients to return to the labour force without delay. To eliminate this inequity, amendments were made to the tax legislation.

Starting in the 2005 taxation year, an individual who resides in Quebec at the end of a given fiscal year and who has received benefits during that year will have to make an adjustment to the basic amount provided for purposes of calculating the basic personal income tax credit for the year. A calculation table will be used to compute this adjustment to change the way in which the basic amount used to calculate the basic personal income tax credit is determined.

The CSST shall indicate on the information declaration it is required to produce on the prescribed form the amount of gross income used to determine the benefits, the number of days for which the benefits were approved by the CSST and the number of days these benefits were paid by either the CSST or the employer directly, as the case may be. The benefit will still be 90% of net income, but the basis on which net income is determined could be adjusted accordingly when you file your annual income tax return.

For more information, please feel free to contact me at (819) 777-4647.

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