

Provincial Budget 2025: Significant Increase in Public Utility Tax (PUT) Rates

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The PUT is a crucial component of provincial finances and has a significant impact on the operating costs of the many companies providing essential services. The PUT was introduced in Quebec in fiscal 2004–2005 to replace the municipal property tax on specific infrastructure used by companies in certain key sectors. Such infrastructure includes telecommunications network facilities, gas distribution systems, and energy production, transmission and distribution systems.

The latest Quebec budget provides for gradual changes, including an increase in applicable rates over the next decade. The rate applicable to electricity production, for example, will rise from 0.7% in 2027 to 1.5% by 2035. However, this increase does not apply to transmission and distribution operations. The rate applicable to telecommunications will also rise from 0.7% to 1.5%. Lastly, the rate that applies to gas distribution will rise from 0.75% to 1.5% by 2035 on the first 750 million dollars in revenue. The portion of revenue exceeding that amount will be subject to a 1.5% rate as of 2027.

As part of the changes introduced in the latest budget, the PUT exemption has been expanded to include certain municipal or public bodies performing government functions in Canada, as well as the corporations owned by such entities. A PUT exemption will also be granted on a pro rata basis to entities operating jointly with other non-eligible entities, based on the distribution of voting rights or income and loss shares. An anti-avoidance rule has been established to ensure that such distribution remains reasonable and in keeping with the spirit of the law.

These adjustments apply as of calendar year 2025, with declaratory provisions covering the aforementioned exemptions. Through such provisions, companies having met the criteria set out for previous years should be able to claim back the PUT. To do so, they will have to submit their application by June 30, 2026, or the deadline by which they are required to file their tax returns.

While it is true that this measure aims to ensure that the PUT reflects the changing infrastructure needs of public utility companies and to optimize their tax contribution, the impact it will have on stakeholders in the targeted sectors will be considerable, and they will have to adjust operations to

cope with future increases.

Read our first bulletin on the 2025 provincial budget titled "[Provincial Budget 2025: New Refundable Tax Credit for Research, Innovation and Commercialization \(CRIC\)](#)"

Read our second bulletin on the 2025 provincial budget titled "[Provincial Budget 2025: Major Changes to the Tax Credit for the Development of E-Business \(TCEB\)](#)"