

Global Tax Alert

News from EY Americas Tax

Canada: Newfoundland and Labrador issues budget 2020-21

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Executive summary

On 30 September 2020, Newfoundland and Labrador Finance Minister Siobhan Coady tabled the province's fiscal 2020-21 budget. The budget contains no new income taxes and no income tax increases.

The Minister anticipates a deficit of CA\$1.84 billion¹ for 2020-21, a \$300 million reduction from the province's July fiscal update. A multi-year budget forecast was not prepared as part of this budget, due to uncertainties stemming from the COVID-19 pandemic.

The following is a brief summary of the key tax measures.

Detailed discussion

Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small-business limit.

Newfoundland and Labrador's (NL) 2020 corporate tax rates are summarized in Table A.

Table A - Corporate tax rates 2020

	2020	
	NL	Federal and NL combined
Small-business tax rate*	3.00%	12.00%
General corporate tax rate	15.00%	30.00%

* The small-business rate is based on a 31 December year-end.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2020 NL personal tax rates are summarized in Table B.

Table B - NL personal tax rates 2020

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$37,929	\$37,930 to \$75,858	\$75,859 to \$135,432	\$135,433 to \$189,604	Above \$189,604
8.70%	14.50%	15.80%	17.30%	18.50%

► Individuals resident in NL on 31 December 2020 with taxable income up to \$19,372 pay no provincial income tax as a result of a low-income tax reduction. The low-income tax reduction is clawed back for income in excess of \$20,537 until the reduction is eliminated, resulting in an additional 16% of provincial tax on income between \$20,538 and \$25,906.

For taxable income in excess of \$150,473, the 2020 combined federal-NL personal income tax rates are outlined in Table C.

Table C - Combined federal and NL personal tax rates 2020

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$150,474 to \$189,604	46.52%	36.02%	39.09%
\$189,605 to \$214,368**	47.52%	37.40%	40.24%
Above \$214,368	51.30%	42.61%	44.59%

* The rate on capital gains is one-half the ordinary income tax rate.

** The basic personal amount comprises two basic elements: the existing personal amount (\$12,298 for 2020) and an additional amount (\$931 for 2020). The additional amount is gradually phased out for individuals with taxable income in excess of \$150,473 and is fully eliminated for individuals with taxable income in excess of \$214,368. Consequently, the additional amount is clawed back on taxable income in excess of \$150,473 until the additional tax credit of \$140 is eliminated; this results in additional federal income tax (e.g., 0.22% on ordinary income) on taxable income between \$150,474 and \$214,368.

Other tax measures

- ▶ Effective 1 October 2020, as a consequence of the federal carbon tax, tax on gasoline and diesel fuel will increase by 0.21 and 2.68 cents per liter, respectively.
- ▶ A new 20% tax on vaping products was introduced, and the provincial tax on tobacco products was increased by 5 cents per cigarette and 10 cents per gram of fine cut tobacco.

Endnote

1. Currency references in this Alert are to CA\$.

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