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Global Tax Alert

News from Americas Tax Center

Canada: Newfoundland and Labrador issues budget 2019/20

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Executive summary

On 16 April 2019, Newfoundland and Labrador Finance Minister and President of the Treasury Board Tom Osborne tabled the province's fiscal 2019/20 budget. The budget contains no new taxes and no tax increases.

The Minister anticipates a surplus of CA\$1.9 billion¹ for 2019/20, and projects a deficit for the following two years. The 2019/20 surplus is primarily a result of the accrual of the guaranteed revenue stream secured by the province, as part of the recently updated Atlantic Accord agreement.

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 2019 corporate tax rates are summarized in Table A.

Table A - Newfoundland and Labrador's corporate tax rates

	2019	
	NL	Federal and NL combined
Small-business tax rate*,**	3.0%	12.0%
General corporate tax rate	15.0%	30.0%

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

** The federal small-business rate was reduced from 10.0% to 9.0% effective 1 January 2019.

Other business tax measures

The Newfoundland and Labrador Film and Video Industry Tax Credit was renewed until 2021.

Personal tax

Personal income tax rates

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

The 2019 Newfoundland and Labrador personal tax rates are summarized in Table B.

Table B - Newfoundland and Labrador personal tax rates 2019

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$37,591	\$37,592 to \$75,181	\$75,182 to \$134,224	\$134,225 to \$187,913	Above \$187,913
8.70%	14.50%	15.80%	17.30%	18.50%

For taxable income in excess of \$147,667, the 2019 combined federal-Newfoundland and Labrador personal income tax rates are outlined in Table C.

Table C - Combined federal Newfoundland and Labrador personal 2019 tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$147,668 to \$187,913	46.30%	35.71%	38.84%
\$187,914 to \$210,371	47.30%	37.09%	39.99%
Above \$210,371	51.30%	42.61%	44.59%

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

- ▶ The rates do not include the Newfoundland and Labrador temporary deficit reduction levy (TDRL). Individuals resident in Newfoundland and Labrador on 31 December 2019 must pay the TDRL. The TDRL ranges from nil to \$1,800, depending on the individual's taxable income, with the maximum levy being payable by individuals with taxable income in excess of \$600,999. The TDRL is scheduled to be removed for years after 31 December 2019.
- ▶ Individuals resident in Newfoundland and Labrador on 31 December 2019 with taxable income up to \$19,184 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 \$20,354 until the reduction is eliminated, resulting in an additional 16% of provincial tax on income between \$20,355 and \$25,667.
- ▶ Continuation of the Search and Rescue Volunteer Tax Credit, which allows eligible volunteers to claim a \$3,000 non-refundable tax credit from their provincial income tax return.

Other tax measures

Retail sales tax

The Government is eliminating the current retail sales tax (RST) on automobile insurance. This change will be implemented by early July and will be retroactive to 16 April 2019. Those who renew their insurance between now and July will receive a rebate for the RST payment on their insurance.

Personal tax credits

- ▶ The Government confirmed the TDRL is scheduled to be removed by 31 December 2019.

Endnote

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

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