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Tax Alert – Canada Newfoundland and Labrador budget 2018-19

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“Building for Our Future addresses our province’s economic, social and fiscal challenges – it is a way forward that is methodical, fair and responsible. We will continue to be innovative in our actions, identify opportunities to improve access to services, and secure better outcomes. Despite significant challenges, we remain on target to return to surplus by 2022-23 as a result of the actions taken over the last two years and the calculated decisions made in Budget 2018.”

*Newfoundland and Labrador Finance Minister and
President of Treasury Board Tom Osborne
2018-19 budget speech*

On 27 March 2018, Newfoundland and Labrador Finance Minister Tom Osborne tabled the province’s fiscal 2018-19 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$683 million for 2018-19, up from the \$644 million forecasted in Budget 2017. The minister projects deficits for each of the next three years, returning to surplus in 2022-23.

Following is a brief summary of the key tax measures.

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 2018 and 2019 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2018		2019	
	NL	Federal and NL combined	NL	Federal and NL combined
Small-business tax rate*, **	3.00%	13.00%	3.00%	12.00%
General corporate tax rate	15.00%	30.00%	15.00%	30.00%

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

** On 24 October 2017, the federal government tabled a notice of ways and means motion to implement reductions in the small-business corporate income tax rate, which were announced on 16 October 2017. The federal small-business rate is reduced from 10.5% to 10.0% effective 1 January 2018 and will be further reduced to 9.0% effective 1 January 2019.

Other business tax measures

The minister also proposed the following business tax measures:

- ▶ The exemption threshold for provincial payroll tax is being increased by \$100,000 to \$1.3 million, effective 1 January 2019.

Personal tax

Personal income tax rates

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

The 2018 Newfoundland and Labrador personal tax rates are summarized in Table B.

Table B: 2018 Newfoundland and Labrador personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$36,926	\$36,927 to \$73,852	\$73,853 to \$131,850	\$131,851 to \$184,590	Above \$184,590
8.70%	14.50%	15.80%	17.30%	18.30%

For taxable income in excess of \$144,489, the 2018 combined federal-Newfoundland and Labrador personal income tax rates are outlined in Table C.

Table C: Combined 2018 federal and Newfoundland and Labrador personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$144,490 to \$184,590	46.30%	35.71%	38.01%
\$184,591 to \$205,842	47.30%	37.09%	39.17%
Above \$205,842	51.30%	42.61%	43.81%

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

Personal tax credits

This budget proposes a new, non-refundable Search and Rescue Volunteer Tax Credit for eligible volunteers of \$3,000. This can be claimed on the provincial tax return starting 1 January 2019.

Other tax measures

There are no proposed changes to the gas tax. As well, there are no proposed changes to the harmonized sales tax, which will remain at 15%.

There will be a 2% reduction to the retail sales tax on automobile insurance starting 1 January 2019. This will be followed by a 1% reduction in each of 2020, 2021 and 2022, for a total reduction of 5%. The provincial government may revisit this reduction if the province's fiscal situation improves.

Learn more

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