

Canadian tax alert

2015-2016 Newfoundland and Labrador budget highlights



On April 30, 2015, Finance Minister and President of Treasury Board Ross Wiseman presented the 2015 Newfoundland and Labrador budget, “Balancing Choices for a Promising Future”.

The deficit for 2014-2015 is now revised to \$924.1 million as a result of declining oil prices globally and the budgeted deficit for 2015-2016 is \$1.093 billion. The increases to various fees, changes associated with the HST and progressive changes to the personal income tax structure are expected to result in increased revenue of approximately \$254 million per year for future years. The government expects to return to surplus in 2020-2021.

The following is a summary of the tax highlights contained in the budget.

Measures concerning business

Corporate income taxes

The budget proposes no changes to corporate income taxes.

Financial corporations capital tax

The financial corporations capital tax rate is increased from 4% to 5%, effective April 1, 2015. This tax applies to banks and loan and trust companies with permanent establishments in Newfoundland and Labrador.

Interactive digital media tax credit

The budget introduces a new 40% refundable Interactive digital media tax credit on eligible wages and remuneration for interactive media companies; this credit applies for fiscal years beginning on or after January 1, 2015.

Measures concerning individuals

Personal income tax

Currently, residents of Newfoundland and Labrador are subject to a maximum provincial rate of 13.3% on taxable income of \$70,016 and over. The government is introducing two new tax brackets (with corresponding higher rates) effective July 1, 2015: a fourth bracket rate of 14.3% for taxable income of \$125,001 to \$175,000 and a fifth bracket rate of 15.3% for taxable income over \$175,000. Since the new rates and brackets apply as of July 1, 2015, the effective rates for 2015 will be 13.8% and 14.3% respectively for those two new tax brackets.

Residential energy rebate

The residential energy rebate (RER) is being eliminated effective July 1, 2015. The RER was introduced in 2011 to help residents offset the rising price of fuel used to heat their homes. However, the home heating rebate program is being maintained at existing levels.

Sales tax measures

Harmonized sales tax (HST)

Effective January 1, 2016, the HST rate will increase from 13% to 15% as the provincial portion of the HST increases from 8% to 10%.

HST credit

The HST credit will be enhanced effective with the October 2016 payment to mitigate the impact of the HST increase on low income individuals and families. The credit will be increased to \$300 annually per adult and \$60 per spouse. The phase-out income threshold under which the credit is fully available will be increased from \$15,000 to \$30,000.

HST rebate for municipalities and local service districts

Municipalities and local service districts will receive a 25% rebate on the provincial portion of the HST, effective January 1, 2016; the rebate will be increased to 57.14% effective January 1, 2017.

Labrador border zones tobacco tax rebate

Effective May 1, 2015, a tobacco tax rebate offered to retailers in Labrador West will be reinstated.

Other tax measures

Fee changes

The budget proposes several fee increases (including those related to vehicle registration, hunting licenses, Crown lands documentation and use and admission to swimming pools) as well as new fee initiatives such as environmental clean-up of impacted sites.

For further details, we refer you to the [Ministry of Finance](#) website.

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