

Canadian tax alert

2016-2017 New Brunswick budget highlights



On February 2, 2016, New Brunswick Finance Minister Roger Melanson presented the province's 2016-2017 budget, "Foundation for our Future". The budget focused on four key priorities:

- Job creation;
- Balanced approach to balancing the budget;
- Improving efficiency and waste reduction within the Government; and
- Protecting education and health care.

The 2016-2017 budget projects government revenues to increase by 5.1% while expenses are expected to grow by only 3.5%. The deficit for the year is projected to be \$347 million which includes a \$100 million contingency reserve. If the contingency funds are not required, the deficit is anticipated to be \$247 million.

Several of the measures introduced to increase revenue involve increased taxation. However, certain personal income tax rates will be reduced. The announced changes to taxation in New Brunswick are outlined below.

Measures concerning individuals

Personal income tax rate reduction

- In light of the federal government's introduction of a new top marginal tax rate, the New Brunswick government will eliminate the previously enacted top rate of 25.75%. The top marginal tax rate in New Brunswick will be 20.3% for taxable income over \$150,000. This change is effective retroactively to January 1, 2016, making the combined federal-provincial rate 49.3% for taxable income between \$150,000 and \$200,000 and 53.3% for taxable income greater than \$200,000.

Measures concerning business

General corporate income tax rate

- The general corporate income tax rate will increase by 2%, to 14%, effective April 1, 2016. This increase will result in a combined federal-provincial general corporate income tax rate of 29%. The small business tax rate is unaffected by this change.

Financial corporation capital tax

- The financial corporation capital tax rate will increase from 4% to 5% for banks, effective April 1, 2016.

Other taxes

Harmonized sales tax (HST)

- Effective July 1, 2016, the provincial portion of the HST rate will increase from 8% to 10%, resulting in an HST rate of 15%. A refundable provincial HST credit will be available to low and middle income families to mitigate the impact of this increase.

Consumption taxes

- The tax rate on tobacco products will increase by 6.52 cents per cigarette or gram of loose or fine cut tobacco over the next two years. An immediate increase of 3.26 cents will be effective as of midnight, February 2, 2016, with an additional increase of 3.26 cents on February 1, 2017.

Real property transfer tax

- Effective April 1, 2016, the real property transfer tax will increase from 0.5% to 1.0%.

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

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