



## Canadian tax alert

### 2019-2020 New Brunswick budget highlights

March 19, 2019

The New Brunswick Minister of Finance, Ernie Steeves, presented the 2019-2020 New Brunswick budget: "Acting with Urgency, We Can't do it Alone".

The following is a summary of the economic and tax highlights contained within the budget.

#### **Fiscal/economic outlook**

The 2019-2020 budget projects government revenues to increase by 1.5% and a budgeted surplus of \$23 million for the year. In comparison, spending growth (expenses) is budgeted to increase by 1.3%.

Overall, the Department of Finance projects that the New Brunswick economy will expand by 0.6%. Ongoing trade uncertainty, weaker growth among major international and domestic trading partners and temporary weakness in the manufacturing sector are all contributing to slower growth in 2019.

The budget also projects a net debt decline for the first time in 13 years (since 2006-2007). The net debt, which is currently \$14.1 billion, is projected to be reduced by \$49 million.

## Personal tax measures

The budget does not include any tax rate changes for individuals. The top marginal tax rates for 2019 are noted in the table below.

<b>Combined federal and New Brunswick personal top marginal rates - 2019</b>	
	<b>Rate</b>
Interest and regular income	53.30%
Capital gains	26.65%
Eligible dividends	33.51%
Ineligible dividends	47.75%

## New Brunswick tuition tax credit

The budget proposes to reinstate the New Brunswick tuition tax credit, which had previously been eliminated for taxation years after 2016.

The credit can be claimed by individuals when they file their tax returns in 2020. Presumably, this means that the credit is applicable for the 2019 tax year.

## Business tax measures

The budget does not include any tax rate changes for businesses. The corporate tax rates for 2019 are noted in the table below.

<b>Combined federal and New Brunswick corporate income tax rates - 2019</b>	
	<b>Rate</b>
General	29.0%
M&P	29.0%
Small business (threshold - \$500,000)	11.5%

## Aggregate passive investment income

New Brunswick will not adopt the new measures introduced at the federal level to reduce or eliminate a corporation's ability to claim the small business deduction based on the corporation's and its associated corporations' passive investment income.

At the federal level, if a corporation and its associated corporations earn more than \$50,000 of passive investment income in a given year, the small business deduction limit is reduced by \$5 for every \$1 of investment income and is reduced to zero if the

passive investment income for the year reaches \$150,000. Maintaining the current rules for New Brunswick companies will avoid a corporate income tax rate increase from 2.5% to 14% on active business income for those associated groups of companies otherwise impacted by the federal changes.

This could save corporate groups up to \$57,500 in provincial tax annually.

<b>Small business income tax rates - 2019 (threshold - \$500,000)</b>			
	<b>Federal</b>	<b>New Brunswick</b>	<b>Total</b>
AAII < \$50,000	9.0%	2.5%	11.5%
AAII > \$150,000	15%	2.5%	17.5%

AAII = Adjusted aggregate investment income

## Other measures

The budget notes a revised regulatory environment for repayable financial assistance programs in the agriculture, aquaculture and fisheries sectors; however, the details for the initiative have not been disclosed.

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

## Your dedicated team:

### National

#### Fatima Laher

Tax Clients and Industry Leader  
Tel: 416-601-6570

#### Albert Baker

National Tax Policy Leader  
Tel: 416-643-8753

### Eastern Region

#### Tony Maddalena

Regional Tax Leader  
Tel: 905-315-5734

#### Katie Rogers

New Brunswick Tax Leader  
Tel: 506-663-6728

Deloitte LLP  
Bay Adelaide Centre, East Tower  
8 Adelaide Street West, Suite 200  
Toronto ON M5H 0A9  
Canada

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