



Canadian tax alert

2017-2018 Newfoundland and Labrador budget highlights

April 6, 2017

On Thursday, April 6, 2017, the Finance Minister and President of the Treasury Board, the Honourable Cathy Bennett, presented the 2017 Newfoundland and Labrador budget, "Realizing Our Potential".

The most significant news in this year's budget is the absence of new taxes or fees. Equally important, there were no increases to existing taxes or fees. This budget was the exact opposite of the 2016-2017 budget, which contained increases to both taxes and fees in many areas. The following is a summary of the economic and tax highlights contained in the budget.

Fiscal/economic outlook

Due to measures taken in the 2016-2017 budget, the projected deficit of \$1.8 billion was revised to a deficit of \$1.1 billion for the year. Primarily as a result of expense reductions, the 2017-2018 deficit is projected to be \$778 million, which is lower than the deficit reduction target of \$800 million. The government had previously outlined a seven-year plan to return the province to a surplus in 2022-2023 and it is currently ahead of plan to meet this goal.

According to the budget speech, the following factors are contributing to the economic outlook:

- Certain large scale projects have transitioned from the development to the production stage, which changes the nature and type of work being performed.
- Positive development is forecasted in the offshore oil industry following expected first oil from the Hebron field later this year. The government is positioning the province as a preferred location for future oil field development.
- The seafood sector continues to be a strong contributor to the province, employing over 17,000 people and with production values reaching \$1.4 billion.
- The Muskrat Falls project continues to employ local resources and businesses, adding approximately \$12 million per week to the provincial economy.

The government is cautiously optimistic given the strides it has made in the past year. It is forecasting oil at \$56USD per barrel, which it feels is a reasonable estimate given the past price volatility.

Personal tax measures

There were no measures introduced in the budget concerning personal tax increases. The government has committed to continue funding the Newfoundland and Labrador Income Supplement and Newfoundland and Labrador Seniors' Benefit that were introduced in the 2016-2017 budget. Both of these benefits are refundable tax credits that are paid quarterly to eligible individuals.

Business tax measures

There were no measures introduced in the budget concerning industry and business. The budget discusses various levels of investment in different sectors, including fishing, agriculture and mining, but no tax changes were introduced.

Other measures

The budget proposes a comprehensive independent review of the province's tax system during this fiscal year.

Gasoline Tax

The previous year's budget introduced a temporary 16.5 cents per litre increase in gasoline tax (the "Temporary Gas Tax"). The budget will reduce the Temporary Gas Tax by 8.5 cents per litre beginning June 1, 2017, followed by a reduction of 4 cents per litre on December 1, 2017. The government has committed to reviewing the remaining 4 cents per litre as part of the 2017 fall fiscal and economic update. For Labrador Border Zones, the rebate, which was set at 10 cents per litre last year, will be reduced to 1.5 cents per litre until December 1, 2017, at which time it will be discontinued.

For further details, we refer you to the [Government of Newfoundland and Labrador website](#).

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