



## Canadian tax alert

### 2018-2019 Newfoundland and Labrador budget highlights

March 27, 2018

On Tuesday, March 27, 2018, The Honourable Tom Osborne, Minister of Finance and President of Treasury Board, released Budget 2018: "Building for Our Future".

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

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

The deficit for 2017-2018 is \$812 million and the projected deficit for 2018-2019 is \$683 million. Budget 2018 is forecasting oil prices at US\$63 per barrel and the US-to-Canada exchange rate is forecast at US\$0.79.

Budget 2018 includes revenues of \$7.67 billion and expenses of \$8.36 billion. Expenditures include a \$619.7 million investment in infrastructure, which is a part of a \$2.5 billion five-year plan.

Gross borrowing for Budget 2018 will be \$1.45 billion, and net new borrowing for the duration of the government's 2022-2023 fiscal plan is increased by \$1.4 billion.

Real gross domestic product (GDP) declined by 3.4% in 2017, primarily due to lower levels of capital investment related to major projects transitioning from development to production. Real GDP is forecast to decrease by 0.8%, reflecting further declines in major project investment and weaker consumer spending.

## **Personal tax measures**

The Budget will gradually decrease the retail sales tax on automobile insurance by a minimum of 5% over four years, from 15% to 10%. Beginning on January 1, 2019, the tax will reduce by 2%, followed by an additional 1% on each of January 1, 2020, January 1, 2021 and January 1, 2022. The government stated that it will continue to review this tax for possible additional future reductions.

A Search and Rescue Volunteer Tax Credit has been introduced. Starting on January 1, 2019, eligible search and rescue volunteers can claim a \$3,000 non-refundable tax credit on their provincial income tax returns.

## **Business tax measures**

The exemption threshold for the provincial payroll tax is being increased from \$1.2 million to \$1.3 million, starting January 1, 2019.

## **Other measures**

The Budget noted that work is continuing on the independent review of the province's tax system and that it is expected the recommendations will be considered for Budget 2019.

In 2016, the federal government announced its intent to implement a federal carbon pricing system. Budget 2018 stated that the government is currently finalizing its provincial approach to carbon pricing and that it will communicate its approach later this spring.

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

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