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TaxNewsFlash Canada

Highlights of the 2019 Newfoundland and Labrador Budget

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Newfoundland and Labrador's Finance Minister Tom Osborne delivered the province's 2019 budget on April 16, 2019. The budget anticipates a deficit of $522 million in 2018-19, a surplus of $1.9 billion in 2019-20, and a deficit of $796 million in 2020-21. Although the budget does not include any new changes to the corporate or personal tax rates, it does extend the Newfoundland and Labrador Film and Video Industry Tax Credit to 2021 and eliminates the province's 13% retail sales tax payable on automobile insurance premiums.

Corporate tax changes

Corporate income tax rates

The budget did not announce changes to the province's corporate tax rates. As a result, Newfoundland and Labrador's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2019		
	Newfoundland and Labrador	**Combined Federal and Newfoundland and Labrador**
General	15%	30%
M&P	15%	30%
Small business[1]	3%	12%

[1] On first $500,000 of active business income.

Extends the Newfoundland and Labrador Film and Video Industry Tax Credit

The budget extends the Newfoundland and Labrador Film and Video Industry Tax Credit to 2021. The credit is a fully refundable corporate income tax credit and is equal to the lesser of 40% of eligible salaries paid in the tax year to residents of the province and 25% of the total production costs for each eligible project. Previously, this credit was applicable to eligible salaries incurred before January 1, 2019, and generally provided a maximum tax credit of $4 million per eligible corporation.

Personal tax changes

Personal income tax rates

The budget did not announce changes to personal tax rates. As a result, Newfoundland and Labrador's personal income tax rates effective January 1, 2019 are as follows:

Personal Combined Federal/Newfoundland and Labrador Top Marginal Rates	
	2019
Interest and regular income	51.30%
Capital gains	25.65%
Eligible dividends	42.62%
Non-eligible dividends	44.59%

Eliminates sales tax on automobile insurance premiums

The budget eliminates the 13% retail sales tax payable on automobile insurance premiums in the province. This change will be implemented by early July and will be retroactive to April 16, 2019. Taxpayers who renew their insurance between April 16, 2019 and July 2019 will receive a rebate for their RST payments on their insurance. Previously, in Newfoundland and Labrador's 2018 budget, the province announced a decrease to the tax on automobile insurance to 13% (from 15%), which was effective January 1, 2019.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Newfoundland and Labrador budget on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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