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# Tax Alert – Canada

## Newfoundland and Labrador budget 2020-21

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Today marks a new beginning, a renaissance for Newfoundland and Labrador. Let us go forth from today with a new resolve. We will reimagine our government, reimagine our economy, address the systemic issues that plague us financially and move forward with strength, with vigor, with pride. To quote our new Premier, ‘we cannot change the past but we can shape the bright future that our province and its people deserve.’”

*Newfoundland and Labrador Finance Minister Siobhan Coady  
2020-21 budget speech*

On 30 September 2020, Newfoundland and Labrador Finance Minister Siobhan Coady tabled the province’s fiscal 2020-21 budget. The budget contains no new income taxes and no income tax increases.

The minister anticipates a deficit of \$1.84 billion for 2020-21, a \$300 million reduction from the province’s July fiscal update. A multi-year budget forecast was not prepared as part of this budget, due to uncertainties stemming from the COVID-19 pandemic.

Following is a brief summary of the key tax measures.



## Business tax measures

### Corporate tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small-business limit.

Newfoundland and Labrador's 2020 corporate tax rates are summarized in Table A.

**Table A - Corporate tax rates 2020**

	2020	
	NL	Federal and NL combined
Small-business tax rate*	3.00%	12.00%
General corporate tax rate	15.00%	30.00%

\* The small-business rate is based on a 31 December year-end.

## Personal tax

### Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2020 Newfoundland and Labrador personal tax rates are summarized in Table B.

**Table B - Newfoundland and Labrador personal tax rates 2020**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$37,929	\$37,930 to \$75,858	\$75,859 to \$135,432	\$135,433 to \$189,604	Above \$189,604
8.70%	14.50%	15.80%	17.30%	18.30%

- ▶ *Individuals resident in Newfoundland and Labrador on 31 December 2020 with taxable income up to \$19,372 pay no provincial income tax as a result of a low-income tax reduction. The low-income tax reduction is clawed back for income in excess of \$20,537 until the reduction is eliminated, resulting in an additional 16% of provincial tax on income between \$20,538 and \$25,906.*

For taxable income in excess of \$150,473, the 2020 combined federal-Newfoundland and Labrador personal income tax rates are outlined in Table C.

**Table C - Combined federal and Newfoundland and Labrador personal tax rates 2020**

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$150,474 to \$189,604	46.52%	36.02%	39.09%
\$189,605 to \$214,368**	47.52%	37.40%	40.24%
Above \$214,368	51.30%	42.61%	44.59%

\*The rate on capital gains is one-half the ordinary income tax rate.

\*\* The basic personal amount comprises two basic elements: the existing personal amount (\$12,298 for 2020) and an additional amount (\$931 for 2020). The additional amount is gradually phased out for individuals with taxable income in excess of \$150,473 and is fully eliminated for individuals with taxable income in excess of \$214,368. Consequently, the additional amount is clawed back on taxable income in excess of \$150,473 until the additional tax credit of \$140 is eliminated; this results in additional federal income tax (e.g., 0.22% on ordinary income) on taxable income between \$150,474 and \$214,368.

### Other tax measures

- ▶ Effective 1 October 2020, as a consequence of the federal carbon tax, tax on gasoline and diesel fuel will increase by 0.21 and 2.68 cents per litre, respectively.
- ▶ A new 20% tax on vaping products was introduced, and the provincial tax on tobacco products was increased by 5 cents per cigarette and 10 cents per gram of fine cut tobacco.

## Learn more

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