

2022 Issue No. 24
8 April 2022

Tax Alert – Canada

Newfoundland and Labrador budget 2022-23

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.

“This budget is about us. About what we all want to achieve - a stronger, smarter, self-sufficient, sustainable Newfoundland and Labrador.”

*Newfoundland and Labrador Finance Minister Siobhan Coady
2022-23 budget speech*

On 7 April 2022, Newfoundland and Labrador Finance Minister Siobhan Coady tabled the province’s fiscal 2022-23 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$400 million for 2021-22 and projects deficits for each of the next four years.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

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

Newfoundland and Labrador's 2022 corporate income tax rates are summarized in Table A.

Table A - 2022 corporate income tax rates*

	2022	
	NL	Federal and NL combined
Small-business tax rate**	3.00%	12.00%
General corporate tax rate** ***	15.00%	30.00%

* Rates represent calendar-year rates.

** The 2021 federal budget proposed to temporarily reduce the federal corporate income tax rate for qualifying zero-emission technology manufacturers by 50% (i.e., to 7.5% for eligible income otherwise subject to the 15% general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% small-business corporate income tax rate), applicable for taxation years beginning after 2021. The reduced tax rates are proposed to be gradually phased out for taxation years beginning in 2029 and fully phased out for taxation years beginning after 2031.

*** The 2022 federal budget proposed an additional tax on banks and life insurers. See [EY Tax Alert 2022 Issue No. 23](#) for details.

Other business tax measures

The minister also proposed the following business tax measures as part of Budget 2022:

- ▶ A 10% Manufacturing and Processing Investment Tax Credit will support the manufacturing, fishery, farming and forestry sectors to invest in capital equipment. The credit will be up to 40% refundable for Canadian-controlled private corporations (CCPCs).¹
- ▶ A new 20% green technology tax credit for CCPCs that invest in equipment for energy conservation and clean energy generation, use fuels from waste, or make efficient use of fossil fuels. The maximum credit is \$1 million annually, of which 40% is refundable.²
- ▶ An All Spend Film and Video Production Tax Credit. The 30% tax credit will apply to total qualified production costs, with a maximum credit of \$10 million annually per project.

¹ <https://www.gov.nl.ca/releases/2022/fin/0408n02/#:~:text=Budget%202022%20includes%3A,efficient%20use%20of%20fossil%20fuels.>

² Ibid.

Personal tax

Personal income tax rates

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

The 2022 Newfoundland and Labrador personal income tax rates are summarized in Table B.

Table B - 2022 Newfoundland and Labrador personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate	Sixth bracket rate	Seventh bracket rate	Eighth bracket rate
\$0 to \$39,147	\$39,148 to \$78,294	\$78,295 to \$139,780	\$139,781 to \$195,693	\$195,694 to \$250,000	\$250,001 to \$500,000	\$500,001 to \$1,000,000	Above \$1,000,000
8.70%	14.50%	15.80%	17.80%	19.80%	20.80%	21.30%	21.80%

Individuals resident in Newfoundland and Labrador on 31 December 2022 with taxable income up to \$19,987 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 \$21,196 until the reduction is eliminated, resulting in an additional 16% of provincial tax on income between \$21,197 and \$26,734.

For taxable income in excess of \$250,000, the 2022 combined federal-Newfoundland and Labrador personal income tax rates are outlined in Table C.

Table C - Combined 2022 federal and Newfoundland and Labrador personal income tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$250,001 to \$500,000	53.80%	44.82%	47.81%
\$500,001 to \$1,000,000	54.30%	45.51%	48.38%
Above \$1,000,000	54.80%	46.20%	48.96%

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

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ Continuation of the Physical Activity Credit, a refundable tax credit of up to \$2,000 per family.

Other personal tax measures include:

- ▶ Elimination of the 15% retail sales tax on home insurance, effective budget day for a period of one year.
- ▶ A 50% reduction in registration fees for passenger vehicles, light-duty trucks and taxis, also for a period of one year.

Learn more

For more information, please contact your EY or EY Law advisor or one of the following professionals:

Troy Stanley

+ 1 709 570 8290 | troy.a.stanley@ca.ey.com

Scott Howell

+ 1 709 570 8267 | scott.r.howell@ca.ey.com

Norman Byrne

+ 1 709 570 8285 | norman.j.byrne@ca.ey.com

And for up-to-date information on the federal, provincial and territorial budgets, visit ey.com/ca/Budget.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY's Tax Services

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit ey.com/ca/tax.

About EY Law LLP

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit eylaw.ca.

About EY Law's Tax Law Services

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2022 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca