



## HIGHLIGHTS FROM THE NEWFOUNDLAND AND LABRADOR BUDGET

Finance Minister, Siobhán Coady, tabled the 2021 Newfoundland and Labrador provincial budget on May 31, 2021.

The budget predicts a deficit of \$826 million in the 2021-22 fiscal year. Deficits are expected to continue through the following four years, but the government predicts a return to surplus in fiscal year 2026-27. The province's net debt is projected to reach \$17.2 billion this year.

On the income tax side, the budget creates new personal tax brackets for taxable incomes over \$135,973 slated to take effect on January 1, 2022. The changes are expected to raise an additional \$15.3 million in revenue. The budget also proposes a new tax on sugary drinks and tax increases on cigarettes and tobacco products.

The following pages summarize the changes announced in the budget. Please note that these changes are proposals until passed into law by the provincial government.

## PERSONAL TAX MATTERS

### Personal income tax rates and tax brackets

The 2021-22 budget increases tax rates for taxable income over \$135,973 and adds 3 new tax brackets effective January 1, 2022. The table below outlines the tax rates and tax brackets for Newfoundland and Labrador in 2021 and the projected tax rates and brackets for 2022.

TAXABLE INCOME RANGE	2021 TAX RATES	2022 TAX RATES
First \$38,081	8.7%	8.7%
\$38,082 – \$76,161	14.5%	14.5%
\$76,162 – \$135,973	15.8%	15.8%
\$135,974 – \$190,363	17.3%	17.8%
\$190,363 – \$250,000	18.3%	19.8%
\$250,001 - \$500,000	18.3%	20.8%
\$500,001 - \$1,000,000	18.3%	21.3%
Over \$1,000,000	18.3%	21.8%

The table below outlines the combined federal and provincial highest marginal tax rates, for various types of income, in 2021 and the projected rates for 2022.

TYPE OF INCOME	2021 COMBINED TAX RATES	2022 COMBINED TAX RATES
Regular income	51.3%	54.8%
Capital gains	25.65%	27.4%
Eligible dividends	42.61%	47.4%
Non-eligible dividends	44.59%	48.6%

## CORPORATE TAX MATTERS

### Corporate income tax rates

The provincial budget contained no proposed changes to corporate income tax rates. The table below outlines Newfoundland and Labrador corporate tax rates and the small business limit for 2021.

CATEGORY	2021 TAX RATES
General rate	14%
Manufacturing and processing rate	14%
Investment income rate	14%
Small business rate	2.5%
Small business limit	\$500,000

The table below outlines the combined federal and provincial corporate income tax rates for various types of income earned by Canadian Controlled Private Corporations (CCPC) in 2021.

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	12%
Active income over \$500,000	30%
Manufacturing and processing income	30%*
Investment income	53.7%

\*does not take into account the federal temporary rate reduction for manufacturers of green technology.

## OTHER INITIATIVES

### Sugar sweetened beverage tax

The budget proposes a 20 cent per litre sugar sweetened beverage tax, to be implemented on April 1, 2022.

### Increased cigarette and tobacco tax

The budget proposes a three cent increase per cigarette and a six cent per gram increase on fine cut tobacco. The rebate rate for Labrador Border Zones will increase by three cents for cigarettes and six cents per gram for fine cut tobacco.

### Physical activity tax credit

The budget proposes a refundable tax credit of up to \$2,000 per family accessing sport and recreational activities.

### The mother baby nutrition supplement

Designed to help with the cost of extra food during pregnancy and infancy, the existing supplement provides a monthly financial benefit for low income pregnant mothers and for families with children under the age of one, the budget proposes an increase to \$100 – up from \$60.

## Community gardens program

The budget proposes an increase in the community gardens grant program for not-for-profit corporations, municipalities or schools from \$500 to \$750.

## Transitioning homes from oil heating to electrical heating

The budget proposes up to \$1 million to help transition homes, whose sole source of heat is oil, to electricity by providing a rebate up to \$2,500 per household.

## Electric vehicle adoption program

The budget proposes \$500,000 for an Electric Vehicle Adoption Accelerator program, which includes a \$2,500 rebate to consumers who purchase electric vehicles.

## WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

For more information, we encourage you to speak to your advisor and visit [ci.com](https://www.ci.com)

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