

Budget2015

Balancing Choices for a Promising Future

Tax Adjustments

Personal Income Tax

Budget 2015 introduces two new tax brackets to personal income tax rates effective July 1, 2015. This includes the following:

- A fourth rate of 14.3 per cent for taxable income of \$125,001 to \$175,000.
- A fifth rate of 15.3 per cent for taxable income over \$175,000.

These changes will maintain Newfoundland and Labrador's competitive position for the lowest rates in Atlantic Canada. As well, the province's top marginal rate ranks as the third lowest in Canada, behind Alberta and Saskatchewan.

The following table details the effective rates for the 2015 and 2016 taxation years:

Income Tax Rates	Current	2015 Tax Year (1/2 year implementation)	2016 Tax Year (full year implementation)
1st Bracket \$0 - \$35,008	7.7%	7.7%	7.7%
2nd Bracket \$35,009 - \$70,015	12.5%	12.5%	12.5%
3rd Bracket \$70,016 - \$125,000	13.3%	13.3%	13.3%
4th Bracket \$125,001 - \$175,000	13.3%	13.8%	14.3%
5th Bracket Over \$175,000	13.3%	14.3%	15.3%

The estimated annual financial impact of the proposed changes by taxable income is as follows:

Taxable Income	Increase in Tax Payable (2016 full year implementation)
Less than \$125,000	-
\$150,000	\$250
\$175,000	\$500
\$200,000	\$1,000

Residential Energy Rebate

- The Provincial Government is eliminating the Residential Energy Rebate (RER) effective July 1, 2015. The effective date of July 1 was necessary to allow suppliers sufficient time to adjust their billing systems accordingly.
- The RER, introduced in 2011 to help residents offset the rising price of fuel used to heat their homes, provided a rebate equivalent to the provincial portion of HST, which is eight per cent, on residential energy usage.
- The Home Heating Rebate Program is being maintained at current levels.

Financial Corporations Capital Tax

- Effective April 1, 2015, the Financial Corporations Capital Tax Rate increased from four per cent to five per cent.
- This tax applies to banks, loans, and trust companies with permanent establishments in Newfoundland and Labrador.

- The tax is payable on capital allocated to Newfoundland and Labrador including paid-up capital stock, contributed surplus, retained earnings, long-term debt and reserves. For companies with total capital less than \$10 million, the first \$5 million is exempt.

Harmonized Sales Tax (HST)

- Effective January 1, 2016, the HST rate is increasing from 13 per cent to 15 per cent with the provincial portion of the HST increasing from eight per cent to 10 per cent.
- To mitigate the impact on low income individuals and families, the HST credit is also being enhanced effective with the October 2016 payment.

HST Credit Parameters	HST Credit (October 2015)	HST Credit (October 2016)
Amount for eligible adult	\$40	\$300
Amount for spouse	\$40	\$60
Amount for each child under 19	\$60	\$60
Phase-out threshold and rate	\$15,000 at 5%	\$30,000 at 5%

- Effective January 1, 2016, municipalities and local service districts will receive a partial rebate on the provincial portion of the HST of 25 per cent, and effective January 1, 2017, the rebate will be increased to 57.14 per cent.

Interactive Digital Media Tax Credit

- Budget 2015 allocates approximately \$1 million for a new Interactive Digital Media Tax Credit.
- The credit provides a 40 per cent refundable provincial tax credit on eligible wages and remuneration to interactive digital media companies in the province for fiscal years beginning on or after January 1, 2015.
- With the introduction of this credit, Newfoundland and Labrador will join five other provinces in offering a tax credit on interactive digital media activity, thereby increasing the competitiveness of the province as a place for firms in this industry to operate.

Labrador Border Zones Tobacco Tax Rebate

- Effective May 1, 2015, at 12:01 a.m., a rebate offered to retailers on tobacco sold in Labrador West will be reinstated. The rate for tobacco products in the province will be as follows:

Product	Province of NL	Labrador Border Zone	
		Rebate	Effective Tax Rate
Cigarettes (per cigarette)	23.5 cents	10.75 cents	12.75 cents
Tobacco per gram, other than cigarettes and cigars	38 cents	23.36 cents	14.64 cents
Cigars	125% of manufacturer's suggested retail price - rounded to nearest 1/100 of a cent		