

Revenue Action

Budget 2016 includes a series of new initiatives to increase revenue for Newfoundland and Labrador. During our consultation process, input from Newfoundlanders and Labradorians clearly pointed to increasing taxes and fees as a way to address the unprecedented fiscal situation. Our plan will address fiscal challenges in the short term, medium term and long-term. That is why we are implementing tax measures to assist with recovery from our current economic difficulties.

Tax Revenue

The new measures in Budget 2016 are estimated to increase revenues to the province by \$632.4 million, annualizing to \$862.9 million.

Personal Income Tax

Tax increases must be balanced with tax competitiveness. This is why the Provincial Government will launch a comprehensive independent review of the tax system, including tax expenditures.

The review will identify ways to simplify the tax system and reduce costs for both government and taxpayers. The objective is to ensure the tax system is fair and competitive.

From 2007 to 2011, the previous administration provided large tax reductions that were not sustainable. Effective July 1, 2016 tax rates for all income ranges will see an increase, however every income level will pay less than they did prior to 2007. Personal income tax rates remain competitive in the Atlantic region. Total projected annual revenue from these measures is \$204.3 million.

The dividend tax credit rate will be reduced for non-eligible dividends from 4.1 per cent to 3.5 per cent for dividends received on or after July 1, 2016 to maintain integration of the corporate and personal income tax systems. The estimated impact is \$1.4 million in annual revenue.

Corporate Income Tax

The general Corporate Income Tax rate will increase from 14 per cent to 15 per cent retroactive to January 1, 2016. The annualized revenue from this increase is \$17.2 million.

Effective January 1, 2016, the Manufacturing and Processing Profits Tax Credit has been eliminated. The projected annual revenue from this action is \$8.8 million.

HST

Effective July 1, 2016, the HST rate will go up from 13 per cent to 15 per cent, with the provincial portion of the HST increasing from 8 per cent to 10 per cent.

As a result the total revenue expected is \$168 million for 2016-17, annualizing to \$224 million. This increase will bring Newfoundland and Labrador in line with the majority of the Atlantic provinces.

Income Tax Rates	Current	2016	2017
1st Bracket: \$0 - \$35,148	7.7%	8.2%	8.7%
2nd Bracket: \$35,149 - \$70,295	12.5%	13.5%	14.5%
3rd Bracket: \$70,296 - \$125,500	13.3%	14.55%	15.8%
4th Bracket: \$125,501 - \$175,700	14.3%	15.8%	17.3%
5th Bracket: Over \$175,700	15.3%	16.8%	18.3%

Gas Tax

Effective June 2, 2016, gasoline tax will temporarily increase by 16.5 cents per litre. This tax increase will be reviewed ahead of the Fall 2016 supplemental budget.

Effective June 2, 2016, a new rebate of 10 cents per litre will be provided for gasoline used in motor vehicles in the Labrador Border Zones. These areas are Labrador West (Labrador City and Wabush) and Southern Labrador (from the Quebec border to and including the community of Red Bay).

The tax rate on diesel products will increase by 5 cents per litre.

The tax rate on aviation fuel will go up from 0.7 cents per litre to 2.5 cents per litre on June 2, 2016.

Taxes on home heating fuel will not change. Total projected annual revenue from these measures is \$142.8 million.

Retail Sales Tax

The Retail Sales Tax on insurance premiums is being reintroduced on July 1, 2016. A tax of 15 per cent will be applied to insurance premiums for property and casualty insurance policies. Total projected annual revenue is \$111 million.

The Retail Sales Tax on used vehicles will go up from 14 per cent to 15 per cent, effective July 1, 2016. Total projected annual revenue is \$700,000.

Tobacco Tax

There will be an increase in the tax for both cigarettes and fine-cut tobacco. Effective 12:01 a.m. on April 15, 2016, the tax will go up by one cent per cigarette and by two cents per gram on fine-cut tobacco. Total projected annual revenue is \$5.5 million.

Financial Corporations Capital Tax

Effective January 1, 2016, the Financial Corporations Capital Tax Rate and the general corporate income tax rate will increase 1 per cent. The annualized revenue for this tax increase is \$5.8 million.

Insurance Companies Tax

The Insurance Companies Tax will increase from 4 per cent to 5 per cent, effective July 1, 2016. The annualized revenue from this increase is \$16.9 million.

Temporary Deficit Reduction Levy

A Temporary Deficit Reduction Levy is being introduced based on taxable income. The temporary levy will begin on July 1, 2016. Individuals with a taxable income of \$20,000 or less will be exempt. This levy is expected to generate \$74.8 million in 2016-17, annualized to \$126 million.

The Provincial Government has a seven-year plan to return to surplus. As part of that plan, the Temporary Deficit Reduction Levy will begin to phase out over three years starting in 2018.

Taxable Income	Temporary Deficit Reduction Levy
Not more than \$20,000	\$0
More than \$20,000 but not more than \$25,000	\$0.01 - \$300
More than \$25,000 but not more than \$36,000	\$300
More than \$36,000 but not more than \$38,500	\$300.01 - \$450
More than \$38,500 but not more than \$47,000	\$450
More than \$47,000 but not more than \$49,500	\$450.01 - \$600
More than \$49,500 but not more than \$72,000	\$600
More than \$72,000 but not more than \$74,500	\$600.01 - \$750
More than \$74,500 but not more than \$200,000	\$750
More than \$200,000 but not more than \$202,500	\$750.01 - \$900
More than \$202,500	\$900

Fees

On an annualized basis, total fee changes are projected to raise an additional \$19.3 million. More information can be found here www.gov.nl.ca/budget2016.