

Budget 2020

Newfoundland and Labrador

Making sense of what's next.

September 2020

On September 30, 2020, Siobhan Coady, Minister of Finance and Deputy Premier, tabled Newfoundland and Labrador's 2020-21 budget.

Due to the uncertainties related to the pandemic, the provincial government has not provided a multi-year forecast.

Budget 2020 projects a deficit of \$1.84 billion in the 2020-21 fiscal year.

This deficit is larger than the deficit of \$796 million forecasted in Budget 2019 for 2020-21.



Tax measures

Corporate tax rates

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

Newfoundland and Labrador's corporate tax rates for 2020 are summarized as follows:

Newfoundland and Labrador corporate tax rates

	Provincial	Combined federal and provincial
Small business tax rate	3.00%	12.00%
General corporate tax rate	15.00%	30.00%

Personal income tax rates

No changes to personal income tax rates are proposed in Budget 2020. The relevant rates for 2020 are as follows:

- 8.7% on the first tax bracket (first \$37,929)
- 14.5% on the second tax bracket (over \$37,929 and up to \$75,858)
- 15.8% on the third tax bracket (over \$75,858 and up to \$135,432)
- 17.3% on the fourth bracket (over \$135,432 and up to \$189,604)
- 18.3% on the fifth bracket (over \$189,604)

The following table illustrates the top combined federal-Newfoundland and Labrador marginal rate of tax on various types of income for 2020.

Type of income	2020
Interest	51.30%
Capital gains	25.65%
Eligible dividends	42.61%
Regular dividends	44.59%

Sales tax measures

Budget 2020 proposes the following sales tax changes:

- 20% tax on vaping products
- Five cent increase per cigarette and an additional 10 cents / gram on fine cut tobacco
- Effective October 1, 2020:
 - The price of gasoline will increase by 0.21 cents / L.
 - The price of diesel will increase by 2.68 cents / L.

No changes are proposed to the current 15% Harmonized Sales Tax (HST) rate, which is composed of a federal component of 5% and a provincial component of 10%.

Other notable changes

Budget 2020 includes the following key investments:

- \$30 million for Small Business Assistance Program for expenses and innovation required to respond to the pandemic. Small businesses are expected to receive \$25 million from this program and the remaining will be directed towards community-based organizations.
- Expanding the eligibility under the Tourism and Hospitality Support Program so that it includes professional artists and musicians.
- \$609 million for infrastructure projects, which will include improving provincial roads, construction of health care facilities and new schools.
- \$100 million for PPE, testing and preparing to support immunization as soon as the vaccine is discovered.
- \$22 million for enhancing the education system.
- In 2021, the government plans to introduce \$25 a day child care.