

Budget 2021

Newfoundland and Labrador

Making sense of what's next.

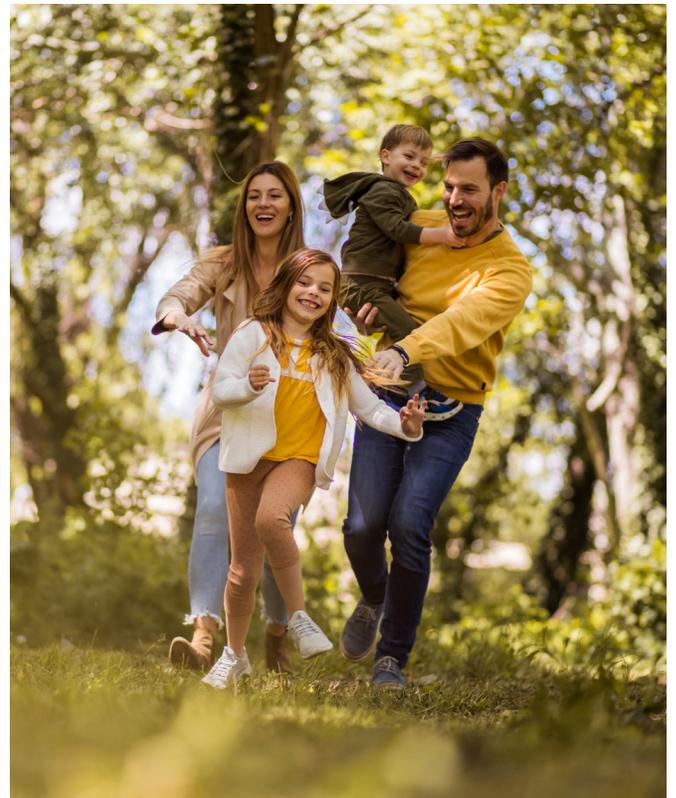


May 2021

On May 31, 2021, Siobhan Coady, Minister of Finance and Deputy Premier, tabled Newfoundland and Labrador's 2021-22 budget (Budget 2021).

Budget 2021, which is the province's second pandemic budget, was highly anticipated as a result of the May 6 release of "The big reset" report. The Report of the Premier's Economic Recovery team proposed a wide range of tax increases, fee increases and expenditure reductions to address the province's unsustainable fiscal situation. However, most of the recommendations of "The big reset" report were not reflected in this budget, as the government has instituted a public consultation process to seek feedback on the report's recommendations. As it stands, Budget 2021 projects a lower-than-anticipated deficit of \$826 million for the 2021-22 fiscal year. Part of the deficit reduction is attributable to a forecast increase in oil revenues.

The government anticipates reaching a surplus by 2026-27.



Business 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 2021 are summarized as follows:

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

Personal measures

Personal income tax rates

Budget 2021 proposes tax increases to higher income earners, effective January 1, 2022. There will be no change to those with income less than \$135,973.

The relevant rates for 2021 and 2022 are as follows:

Tax brackets	2021 Marginal tax rates	2022 Marginal tax rates
\$38,081 or less	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%*
\$190,364 - \$250,000*	18.3%	19.8%*
\$250,001 - \$500,000*	18.3%	20.8%*
\$500,001 - \$1,000,000*	18.3%	21.3%*
\$1,000,001 and over*	18.3%	21.8%*

*Newly added tax brackets and rates

"The big reset" report had recommended a personal income tax rate increase of 1%, whereas Budget 2021 has implemented a 3.5% increase in the newly-implemented top tax bracket.

The following table illustrates the top combined federal-Newfoundland and Labrador marginal rate of tax on various types of income for 2021 and 2022.

Type of income	2021	2022
Interest	51.30%	54.8%
Capital gains	25.65%	27.4%
Eligible dividends	42.61%	47.44%
Regular dividends	44.59%	48.61%

Physical Activity Tax Credit

Budget 2021 introduces a new Physical Activity Tax Credit which provides a refundable tax credit on expenditures for sport and recreational activities of up to \$2,000 per family, which provides a benefit of up to \$174 per family. No further details are provided in Budget 2021 as to when this credit will be available.

Mother Baby Nutrition Supplement

Mother Baby Nutrition Supplement (MBNS) is an existing monthly financial benefit for low income pregnant mothers and for families with children under the age of one. Budget 2021 proposes to boost the MBNS benefit from \$60 to \$100 per month for eligible mothers and families. No further details are provided in Budget 2021 as to when this increased rate will apply.

Sales tax measures

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%.

Sugar sweetened beverage tax

Effective April 1, 2022, there will be a 20 cent per litre tax on sugar sweetened beverages. The government will provide more details on this new tax, including which beverages will be affected.

Tobacco tax

Budget 2021 proposes to increase the taxes on cigarettes and tobacco products by three cents per cigarette and six cents per gram of 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. The reduced rates are provided by way of a rebate to the retailer.

These changes are effective as of 12:01 a.m. on June 1, 2021. All updated forms and bulletins are available on the Department of Finance [website](#).

Other notable changes

COVID-19

Close to \$100 million has been allocated for health care spending, including personal protective equipment, testing and supporting vaccines.

Tourism and Hospitality

\$30 million investment for a Tourism and Hospitality Support Program, including a new Artist Support Program. An additional \$13 million to be spent for tourism marketing. More details on how and when to apply for the program will follow.

Economic Development

\$27 million investment to support economic development initiatives, including R&D commercialization, regional development and investment in the technology sector.

Film and Television

\$10 million for the Film and Television Equity Investment Program, to provide funding in the form of equity to productions with a majority Newfoundland and Labrador ownership.

Broadband connectivity

\$25 million to improve connectivity through cellular and broadband service in underserved areas over the next three years.

Electric vehicles

\$500,000 for an Electric Vehicle Adoption program to provide \$2,500 rebate to people who purchase electric vehicles.

Memorial University

Introduction of a new funding arrangement with Memorial University, including providing the university more autonomy over tuition. The annual tuition offset funding to the university will be eliminated over five years.

