

Budget 2019

Newfoundland and Labrador

Making sense of what's next.



April 2019

On April 16, 2019, Finance Minister Tom Osborne tabled Newfoundland and Labrador's 2019-20 budget. Thanks largely to the \$2.5 billion in revenue resulting from the newly-signed Atlantic Accord agreement¹, Budget 2019 projects a surplus of \$1.9 billion in the 2019-20 fiscal year. The Atlantic Accord revenue is a one-time accounting adjustment in the 2019-20 fiscal year, but the payments will be made over the next 38 years—with the first installment occurring in 2019 at \$134.9 million.

In addition to the Atlantic Accord accounting adjustment, the recent announcement also projects a balanced budget by 2022-23—and revises the 2018-19 deficit to \$522 million, down from the original Budget 2018 forecast of \$683 million.



¹ Atlantic Accord is an agreement signed in 1985 between the Government of Canada and the Government of Newfoundland and Labrador to allocate revenues generated from offshore oil and gas resources adjacent to Newfoundland and Labrador. The agreement was renewed in 2019 and the Government of Newfoundland and Labrador will receive \$2.5 billion from the Federal government over 38 years.

Fiscal results for the next four years are projected as follows:

Year	Projected surplus (deficit)
2019-20	\$1,925 million
2020-21	(\$796 million)
2021-22	(\$300 million)
2022-23	\$23 million

It should be noted that the government already announced that a provincial election will occur before the end of the school year in late June. As such, it is uncertain whether this budget will pass in the legislature before that date.

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 2019 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%
Manufacturing and processing tax rate	15.00%	30.00%

Personal income tax rates

No changes to personal income tax rates are proposed in Budget 2019. The relevant rates for 2019 are as follows:

- 8.7% on the first tax bracket (first \$37,591)
- 14.5% on the second tax bracket (over \$37,592 and up to \$75,181)
- 15.8% on the third tax bracket (over \$75,182 and up to \$134,224)

- 17.3% on the fourth bracket (over \$134,225 and up to \$187,913)

- 18.3% on the fifth bracket (over \$187,914)

The following table illustrates the top combined federal-Newfoundland and Labrador marginal rate of tax on various types of income for 2019.

Type of income	2019
Interest	51.30%
Capital gains	25.65%
Eligible dividends	42.61%
Regular dividends	44.59%

The Temporary Deficit Reduction Levy introduced in 2016 will expire as scheduled, effective December 31, 2019.

Tax credits

Two tax credits were either renewed or continued in Budget 2019. These include:

Credit	Status
Film and video industry tax credit	Credit renewed until 2021
Search and rescue volunteer tax credit	Credit continued

Sales tax measures

Budget 2019 proposes no changes to the current 15% Harmonized Sales Tax (HST) rate, which is composed of a federal component of 5% and a provincial component of 10%.

The Retail Sales Tax (RST) of 13% on automobile insurance will be eliminated. This change will be implemented by early July and will be retroactive to April 16, 2019. Those who renew their insurance between now and July will receive a rebate for the RST payment on their insurance.

Other notable changes

- **Infrastructure investments:** Budget 2019 allocates \$594.3 million for a wide variety of infrastructure projects including schools, healthcare facilities, post-secondary institutions, roads and bridges, justice facilities, affordable housing and municipal infrastructure.
- **Post-secondary education:** Budget 2019 proposes to invest \$78.2 million to maintain current tuition levels for Newfoundland and Labrador students.
- **Ocean technology:** Budget 2019 proposes to invest \$3 million to create a Digital Ocean Innovation Centre of Excellence and \$2.5 million to support a Subsea Centre of Excellence for training, research, and product testing.



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