

2021 Newfoundland and Labrador budget: Tax highlights

June 1, 2021

In brief

On May 31, 2021, Newfoundland and Labrador's Minister of Finance, Siobhan Coady, presented the province's 2021 budget. The budget does not change corporate income tax rates, but does:

- increase personal income tax rates on taxable incomes over \$135,973, starting 2022
- introduce a refundable physical activity tax credit
- increase tax rates on tobacco and introduce a sugar sweetened beverage tax

This *Tax Insights* discusses these and other tax initiatives proposed in the budget.

In detail

Personal tax measures

Personal income tax rates

Effective January 1, 2022, the budget increases Newfoundland and Labrador's personal income tax rates on taxable incomes over \$135,973, as follows.

Brackets ¹	Rates	
	2021 (Current)	2022 (Proposed)
\$135,973 to \$190,363	17.3%	17.8%
\$190,363 to \$250,000	18.3%	19.8%
\$250,000 to \$500,000		20.8%
\$500,000 to \$1,000,000		21.3%
> \$1,000,000		21.8%

1. \$135,973 and \$190,363 tax brackets to be indexed for 2022. It is unclear whether the new \$250,000, \$500,000 and \$1,000,000 tax brackets will be indexed to inflation.

How much more tax?

The table on the next page shows how much more tax you will pay in 2022, at select income levels, assuming all your income is interest or ordinary income (such as salary) and only the basic personal tax credit is claimed.

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Taxable income	Taxes payable ¹		Additional tax
	2021	2022 ²	
\$1,000,000	\$481,857	\$504,274	\$22,417
\$500,000	\$225,357	\$232,774	\$7,417
\$400,000	\$174,057	\$178,974	\$4,917
\$300,000	\$122,757	\$125,174	\$2,417
\$200,000	\$72,064	\$72,481	\$417

1. The amounts include both federal and Newfoundland and Labrador taxes payable.
2. Assuming 2021 tax brackets and basic personal tax credits are used to calculate taxes payable.

Top personal tax rates

Top combined federal/Newfoundland and Labrador personal income tax rates, after taking into account the personal income tax rate increases for 2022 (see above), are shown below.

Top combined federal / Newfoundland and Labrador rates		2021	2022 ¹			
		> \$216,511	\$216,511 to \$250,000	\$250,000 to \$500,000	\$500,000 to \$1,000,000	> \$1,000,000
Ordinary income & interest		51.30%	52.80%	53.80%	54.30%	54.80%
Capital gains		25.65%	26.40%	26.90%	27.15%	27.40%
Canadian dividends	eligible	42.61%	44.68%	46.06%	46.75%	47.44%
	non-eligible	44.59%	46.31%	47.46%	48.04%	48.61%

1. \$216,511 tax bracket to be indexed for 2022. It is unclear whether the new \$250,000, \$500,000 and \$1,000,000 tax brackets will be indexed to inflation.

Physical Activity Tax Credit

Starting in the 2021 taxation year, a new Physical Activity Tax Credit will provide a refundable tax credit of up to \$2,000 per family, for families participating in eligible sport and recreational activities (maximum value is \$174 per year).

Business tax measures

Corporate income tax rates

Newfoundland and Labrador's corporate income tax rates will remain as shown in the table below. The table also shows combined federal/Newfoundland and Labrador corporate tax rates.

Federal and Newfoundland and Labrador corporate rates		NL 2020-2021	Federal + NL 2020-2021
General income and M&P income		15%	30%
Canadian-controlled private corporations (CCPCs)	active business income to \$500,000	3%	12%
	investment income	15%	53.67%

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Other taxes

Sugar sweetened beverage tax

The budget introduces a sugar sweetened beverage tax, at a rate of 20¢ per litre, effective April 1, 2022.

Tobacco tax

Effective June 1, 2021, tobacco tax will increase by 3¢ per cigarette and 6¢ per gram of fine cut tobacco; the rebate rate for Labrador Border Zones will increase by the same amounts.

Electric Vehicle Adoption Accelerator Program

The budget announces a new program that will provide a \$2,500 rebate to residents who purchase an electric vehicle.

Harmonized sales tax (HST)

The budget announces the government's intention to evaluate increases to the HST.

Let's talk

For a deeper discussion of how these tax measures might affect you or your business, please contact:

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