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## FINANCES OF THE NATION

Vivien Morgan\*

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### SURVEY OF PROVINCIAL AND TERRITORIAL BUDGETS, 2013-14

*For almost 60 years, the Canadian Tax Foundation published an annual monograph, Finances of the Nation, and its predecessor, The National Finances. In a change of format, this issue of the Canadian Tax Journal introduces a new Finances of the Nation feature, which will present a series of articles on topical matters relating to taxation and public expenditures in Canada. Each year, one issue of the journal will include in this feature a survey of the provincial and territorial budgets tabled in the preceding year.*

This article summarizes revenue and expenditure projections for 2013-14 set out in the budgets and updates issued by Canada's provinces and territories. It includes tables and charts showing aggregated data for comparative purposes, and comments on discernible patterns and trends. Significant tax changes in each jurisdiction are highlighted and briefly discussed.

**KEYWORDS:** BUDGETS ■ PROVINCIAL ■ TERRITORIAL ■ GOVERNMENT FINANCE ■ REVENUE ■ EXPENDITURES

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#### CONTENTS

Introduction	772
Summary Information	772
Provincial and Territorial Budgets by Jurisdiction	782
British Columbia	784
Alberta	787
Saskatchewan	789
Manitoba	791
Ontario	794
Quebec	797
New Brunswick	801

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Nova Scotia	803
Prince Edward Island	805
Newfoundland and Labrador	806
Yukon	808
Northwest Territories	809
Nunavut	811

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## INTRODUCTION

This article presents highlights of the 2013-14 provincial and territorial budgets. The first part of the article provides an overview of revenue and expenditure projections set out in the various budgets, and comments on patterns and trends discernible in a comparison of the data. It also compares corporate and marginal personal income tax rates applicable in each province and territory in 2013. The second part of the article summarizes projected revenue and expenditure figures contained in the various budgets and, where applicable, subsequent updates that changed the projected surplus or deficit to a projected deficit or surplus. Also presented are highlights of tax changes implemented or proposed in those budgets.

## SUMMARY INFORMATION

The provinces and territories brought down their budgets (and updates) for the 2013-14 fiscal year between November 2012 and November 2013.<sup>1</sup> Six of the 10 provinces projected a budget deficit (expenditures in excess of revenues) in 2013-14, but most of them expected a return to a balanced budget or a surplus in the next three to five years based on expectations of increased economic growth and continued moderate spending restraint. The budgets were neither good news nor bad news for most taxpayers: the majority of changes were minor adjustments to personal income tax brackets and rates and to corporate income tax rates in several provinces. Few significant expansions or contractions were made to expenditures on services and social programs.

Table 1 aggregates the projected budget revenue and expenditure items in each province and territory. The different jurisdictions' budget projections are not strictly comparable, owing to accounting differences across the provinces and territories.<sup>2</sup> However, the placement of the various jurisdictions' figures in a single table illustrates certain trends and distinctions, and thus may stimulate further analysis and discussion. In this table, the provinces and territories are listed in descending order based on each jurisdiction's original budget projection of its revenue from taxation.

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1 Alberta updated the province's projections for 2013-14 in its 2014 budget. See *infra* table 6 and the discussion in the related text.

2 For a discussion of accounting differences between Canadian jurisdictions, see Colin Busby and William B.P. Robson, *Credibility on the (Bottom) Line: The Fiscal Accountability of Canada's Senior Governments, 2013*, C.D. Howe Institute Commentary no. 404 (Toronto: C.D. Howe Institute, March 2014).

**TABLE 1 Provincial and Territorial Revenues and Expenditures, Budget Projections, Fiscal Year 2013-14**

	Tax revenue	Federal transfers	Other sources of revenue <sup>a</sup>	Total revenues	Total expenditures	Adjustments <sup>b</sup>	Surplus/ (deficit)
	<i>millions of dollars</i>						
Ontario.....	81,975	22,475	12,395	116,845	(127,588)	(1,000)	(11,743)
Quebec <sup>c</sup> .....	51,107	16,145	5,108	72,360	(72,392)	1,071	1,039
British Columbia.....	21,332	7,480	15,427	44,239	(43,936)	(150)	153
Alberta <sup>d</sup> .....	19,169	5,120	13,266	37,555	(38,006)	nil	(451)
Manitoba.....	7,381	3,849	2,952	14,182	(14,847)	147	(518)
Saskatchewan.....	5,992	1,628	3,987	11,607	(11,543)	(32)	32
Newfoundland and Labrador <sup>e</sup> .....	5,299	656	802	6,757	(7,571)	250	(564)
Nova Scotia <sup>f</sup> .....	5,104	3,006	1,371	9,481	(9,524)	59	16
New Brunswick.....	3,783	2,858	1,353	7,994	(8,473)	nil	(479)
Prince Edward Island.....	814	600	152	1,566	(1,625)	nil	(59)
Northwest Territories.....	295	1,222	92	1,609	(1,467)	(30)	113
Yukon.....	123	861	172	1,156	(1,083)	nil	73
Nunavut.....	84	1,430	50	1,564	(1,478)	(64)	22

<sup>a</sup> Other sources of revenue included resource royalties; premiums, fees, and licences; commercial Crown corporation transfers; and investment income.

<sup>b</sup> Adjustments included consolidation numbers (in some cases) and transfers to and from reserve funds.

<sup>c</sup> The Quebec November 2013 update to the 2013-14 budget forecast included the following updated figures, in millions of dollars: tax revenue, 48,152; federal transfers, 16,619; other sources of revenue, 5,035; total revenues, 69,806; total expenditures, (72,408); adjustments, 102; and surplus/(deficit) (2,500).

<sup>d</sup> The Alberta April 24, 2014 budget included the following updated figures for 2013-14, in millions of dollars: tax revenue, 20,042; federal transfers, 7,746; other sources of revenue, 15,954; total revenues, 43,742; total expenditures, (42,349); adjustments, nil; and surplus/(deficit), 1,393.

<sup>e</sup> Newfoundland and Labrador's tax revenue included offshore royalties of \$2,067 million and mining tax and royalties of \$170 million.

<sup>f</sup> The Nova Scotia December 2013 update to the 2013-14 budget forecast included the following updated figures, in millions of dollars: tax revenue, 4,989; federal transfers, 3,016; other sources of revenue, 1,318; total revenues, 9,323; total expenditures, (9,853); adjustments, 48; and surplus/(deficit) (482).

Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17.

The numbers shown have been aggregated from the provincial and territorial budget summaries presented later in this article. Many jurisdictions amended their projections after the original budget, and some changes were significant, as discussed below.

Figures 1 through 3 present that information plus more detailed information from tables 5 through 17 showing projected revenues and expenditures for each province and territory. The figures show

- projected revenues by source as a percentage of total revenues, and projected surplus/deficit (as a percentage of projected expenditures) (figure 1);
- projected tax revenues by source, as a percentage of total revenues (figure 2); and
- projected expenditures by spending category, as a percentage of total expenditures (figure 3).

Six provincial budgets projected a deficit, and overall there were few major expenditure reductions. The 2013-14 provincial and territorial budgets represented a measured response as those governments transitioned out of the 2008 financial crisis and ensuing global recession. The decline of manufacturing in Ontario and reduced revenue from oil and other natural resources are examples of economic conditions that decreased revenues and strained the effort to achieve balanced budgets. Global economic conditions were reflected in the budget expenditures as provincial and territorial governments tried to strike a delicate balance between austerity and stimulus.

The provinces have exclusive powers and responsibility for education, health, and social services expenditures; across all jurisdictions, health-care expenditures averaged about 40 percent of total expenditures, as shown in tables 1 and 2. For example, Ontario's projected health-care expenditure for the 2013-14 fiscal year was \$48,855 million or 38.29 percent of total expenditures of \$127,588 million. In contrast, of the territories' projected expenditures, health care accounted for 20.64 percent in Nunavut, 24.81 percent in the Northwest Territories, and 32.13 percent in Yukon. On a per capita basis, the results appeared to reverse: \$3,609 per capita in Ontario versus \$8,367 to \$9,482 per capita in the territories.

On the basis of budget data shown in the provincial and territorial tables that follow, projected income tax revenue for all 13 jurisdictions combined amounted to \$75.9 billion from personal income tax and \$25.6 billion from corporate income tax, for total income tax revenue of \$101.5 billion; projected sales tax revenue totalled \$52.6 billion. Thus, the provinces and territories expected to collect significantly more tax revenue from each of personal income taxes and sales taxes than from corporate income taxes. By comparison, the 2013 federal budget projected revenue of \$131.5 billion from personal income tax, \$34.6 billion from corporate income tax (plus \$5.4 billion from non-resident income tax), and \$29.9 billion from sales tax.<sup>3</sup>

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3 Canada, Department of Finance, 2013 Budget, Budget Plan, March 21, 2013, at 298, table 4.2.5.

**TABLE 2 Provincial and Territorial Health-Care Expenditures, Budget Projections, Fiscal Year 2013-14**

	Health-care expenditures	Percentage of total expenditures
	<i>millions of dollars</i>	
Ontario.....	48,855	38.29
Quebec.....	31,258	43.18
British Columbia.....	18,426	41.94
Alberta.....	17,461	45.94
Manitoba.....	5,660	38.12
Saskatchewan.....	4,799	41.57
Nova Scotia.....	3,911	41.06
New Brunswick.....	2,586	30.52
Newfoundland and Labrador.....	2,301	30.38
Prince Edward Island.....	566	34.83
Northwest Territories.....	364	24.81
Yukon.....	348	32.13
Nunavut.....	305	20.64

Note: Owing to accounting differences between provinces and territories, direct comparison of the above numbers is not strictly appropriate.

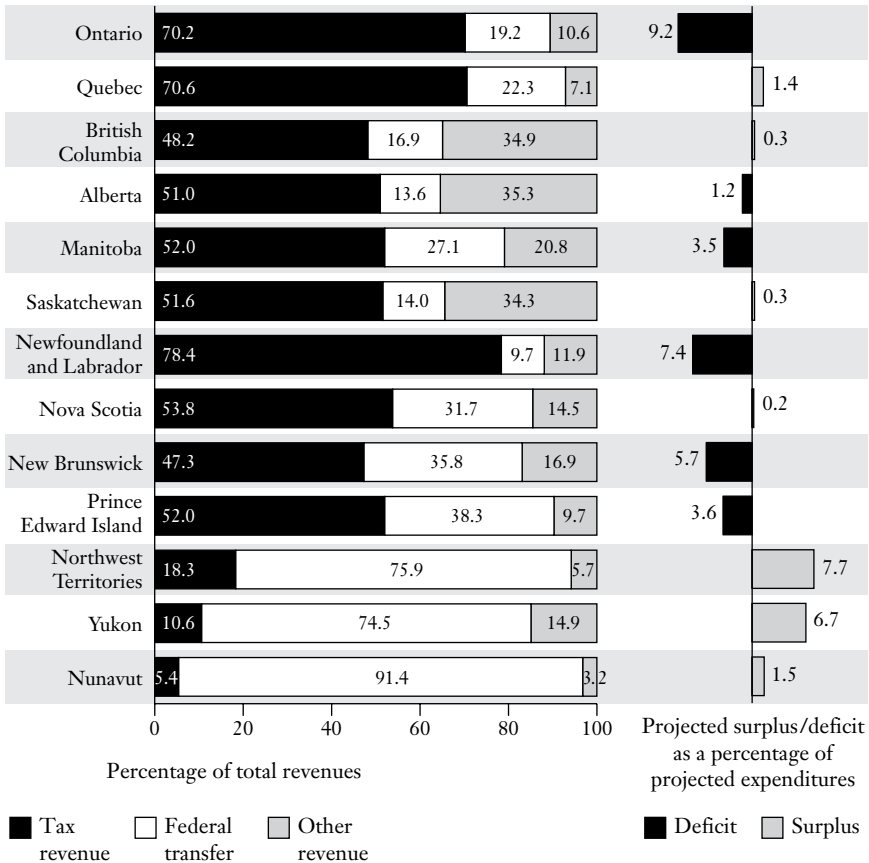
Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17.

Table 3 shows the corporate income tax rates in the provinces and territories for 2013.

From a personal income tax perspective, in 2013 three provinces increased their income brackets for high income earners—Ontario from 2012, Quebec from 2013, and British Columbia for 2014 and 2015. Nova Scotia had previously raised the rate for taxpayers in the top income bracket, beginning in 2010, and it maintained that top bracket in 2013. All federal, provincial, and territorial personal income tax marginal rates on ordinary income and interest are shown in figure 4 as a function of taxable income.

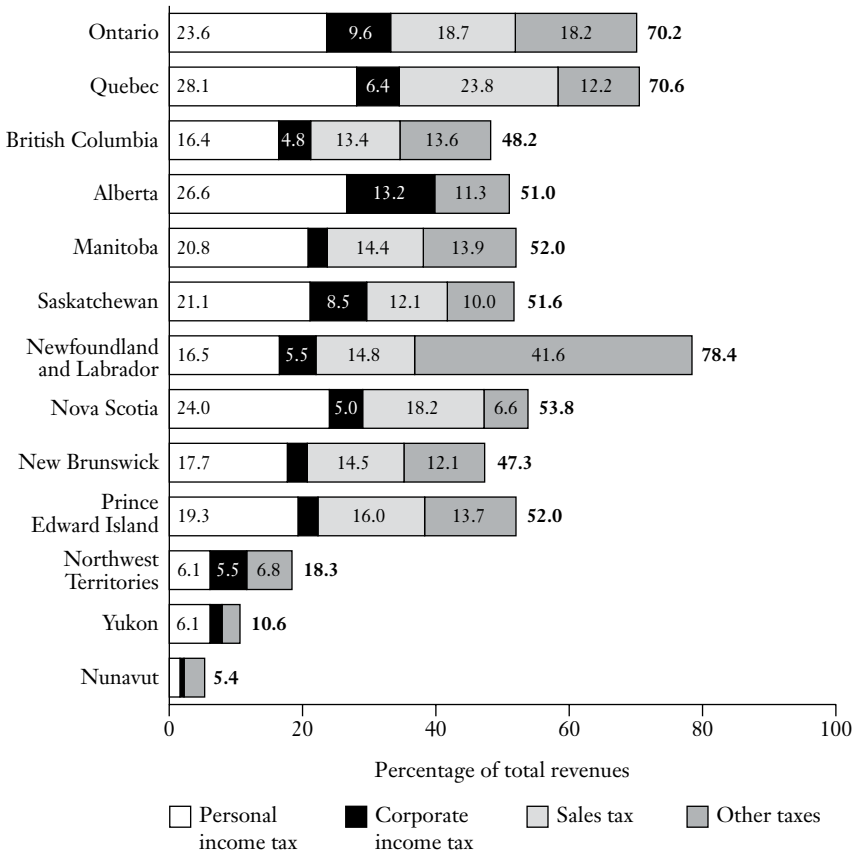
With respect to provincial sales taxes, there were two significant changes in 2013. Following a referendum held in British Columbia in 2011, the province's participation in the harmonized sales tax (HST) regime (which had only been implemented in 2010) was repealed and the former provincial sales tax (PST) model was reinstated effective April 1, 2013. On the same date, a new HST regime came into effect in Prince Edward Island, making it the fifth province—along with New Brunswick, Newfoundland and Labrador, Nova Scotia, and Ontario—to harmonize its PST with the federal goods and services tax (GST). Quebec has its own Quebec sales tax (QST), which applies in a manner similar to the GST. Alberta and the territories do not impose sales taxes.

**FIGURE 1 Projected Provincial and Territorial Revenues by Source, as a Percentage of Total Revenues, and Projected Surplus/Deficit as a Percentage of Projected Expenditures, Fiscal Year 2013-14**



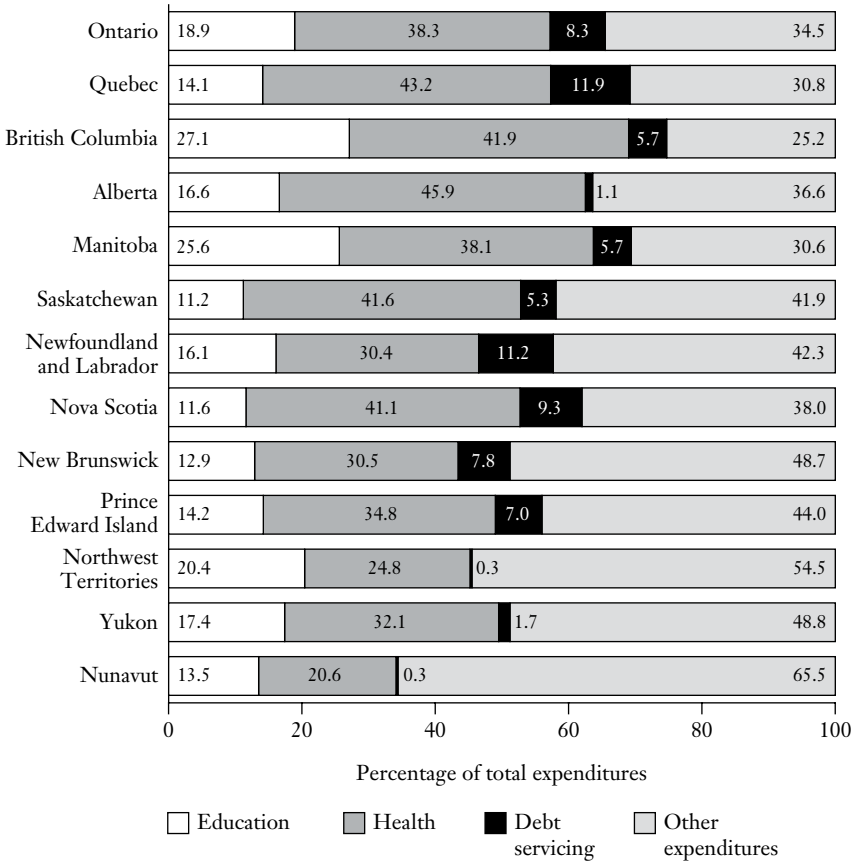
Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17, and the data summary in table 1.

**FIGURE 2 Projected Provincial and Territorial Tax Revenues by Source as a Percentage of Total Revenues, Fiscal Year 2013-14**



Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17.

**FIGURE 3 Projected Provincial and Territorial Expenditures by Spending Category as a Percentage of Total Expenditures, Fiscal Year 2013-14**



Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17.



**TABLE 3 Provincial and Territorial Corporate Income Tax Rates, 2013**

Province/territory	Small business rate	Limit <sup>a</sup>	General rate	M & P rate <sup>b</sup>
	<i>percent</i>	<i>dollars</i>	<i>percent</i>	<i>percent</i>
British Columbia <sup>c</sup> . . . . .	2.50	500,000	10.00/11.00	10.00/11.00
Alberta . . . . .	3.00	500,000	10.00	10.00
Saskatchewan . . . . .	2.00	500,000	12.00	10.00
Manitoba <sup>d</sup> . . . . .	0.00	400,000	12.00	12.00
Ontario . . . . .	4.50	500,000	11.50	10.00
Quebec . . . . .	8.00	500,000	11.90	11.90
New Brunswick <sup>e</sup> . . . . .	4.50	500,000	10.00/12.00	10.00/12.00
Nova Scotia <sup>f</sup> . . . . .	3.50	400,000	16.00	16.00
Prince Edward Island <sup>g</sup> . . . . .	1.00/4.50	500,000	16.00	16.00
Newfoundland and Labrador . . . . .	2.50	500,000	16.00	10.00/11.00
Yukon . . . . .	4.00	500,000	15.00	2.50
Northwest Territories . . . . .	4.00	500,000	11.50	11.50
Nunavut . . . . .	4.00	500,000	12.00	12.00

<sup>a</sup> In all jurisdictions except Ontario, the federal limit was reduced straightline if taxable capital was above a specified threshold. That clawback applied in the provinces and territories (except Ontario) for the purpose of calculating their small business limits.

<sup>b</sup> The M & P rate is the rate applicable to corporate income from manufacturing and processing. In Ontario, the M & P rate also applies to income allocated to Ontario from farming, mining, logging, and fishing operations carried on in Canada.

<sup>c</sup> British Columbia's general and M & P rates increased effective April 1, 2013.

<sup>d</sup> Manitoba's small business threshold increased to \$425,000 on January 1, 2014.

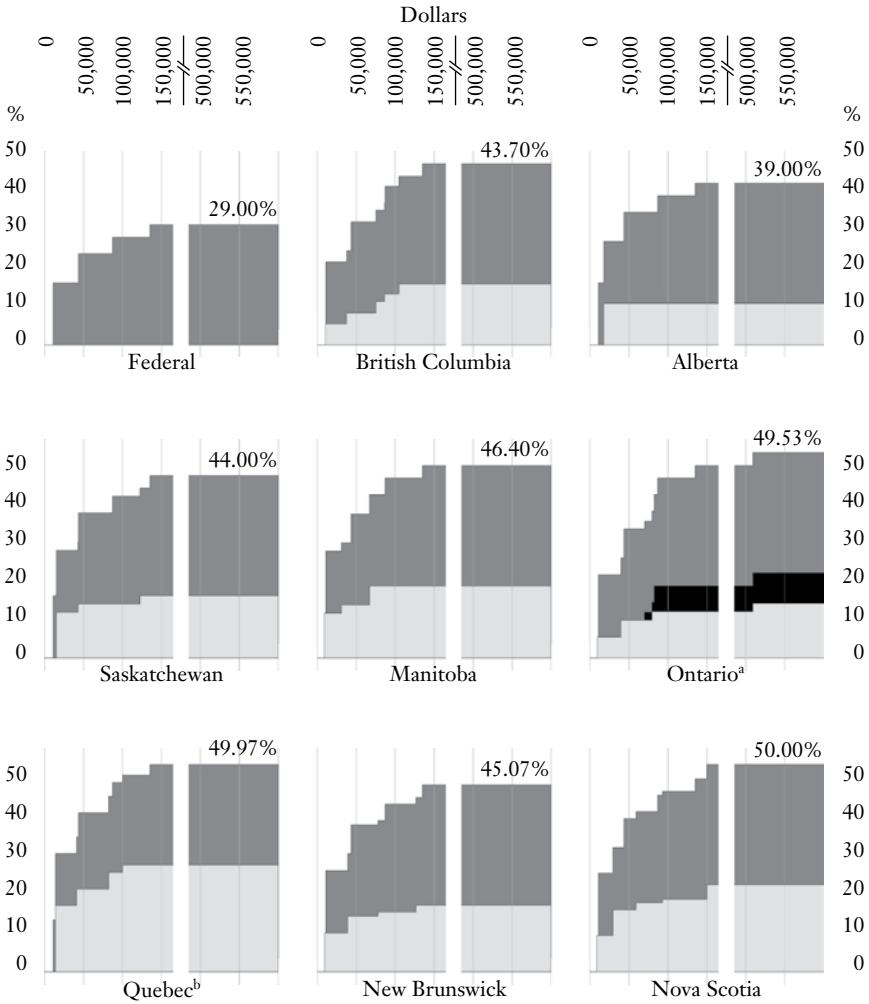
<sup>e</sup> New Brunswick's general and M & P corporate income tax rates increased effective July 1, 2013.

<sup>f</sup> On January 1, 2014, Nova Scotia's small business rate decreased to 3 percent and its small business threshold decreased to \$350,000 from \$400,000.

<sup>g</sup> Prince Edward Island's small business rate increased from 1 percent to 4.5 percent on April 1, 2013.

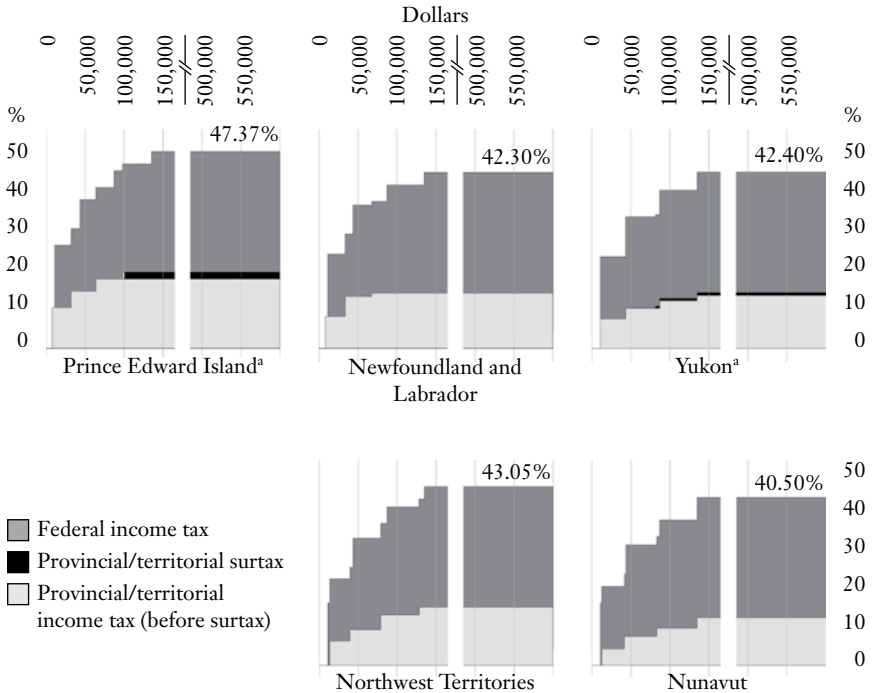
Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17.

**FIGURE 4 Personal Income Tax Marginal Rates  
Applicable to Taxable Income, 2013**



(Figure 4 is concluded on the next page.)

**FIGURE 4 Concluded**



Note: The horizontal scale (taxable income) has been broken between \$175,000 and \$475,000, where no rates change. No rates change above \$509,000.

<sup>a</sup> Surtax calculations assume that the only credit claimed reflects applicable basic personal amounts.

<sup>b</sup> For Quebec, federal income tax has been reduced by the 16.5% provincial abatement.

Source: PricewaterhouseCoopers LLP, *Tax Facts and Figures: Canada 2014* (Toronto: PwC, 2014), at 4 and 8-16.

## PROVINCIAL AND TERRITORIAL BUDGETS BY JURISDICTION

Table 4 shows the estimated surplus or deficit for 2013-14 in each province and territory; it also includes the date on which the budget was tabled and the name of the minister who introduced it. Announced updates are shown if there was a shift from a deficit to a surplus or vice versa; other economic updates are not included.

Set out below for each province and territory are selected fiscal figures, highlights of tax changes, and a summary of tax changes. The figures for each jurisdiction are difficult to reconcile across jurisdictions, and some notes that refer to the differences in accounting and/or presentation are appended to the tables as required. It is beyond the scope of this article to analyze the accounting and reporting practices of each jurisdiction and the differences in those practices between jurisdictions. Notes to the tables also make reference to the jurisdiction's significant resource revenue where applicable. The "highlights" section sets out some of the more important tax changes and, where possible, lists them in order of precedence. Each summary of tax changes is categorized under eight headings, as follows:

1. **Corporate income tax:** rates, credits, deductions, inclusions, reporting, business income matters, and other items
2. **Personal income tax:** rates, credits, deductions, inclusions, and other items
3. **Sales tax:** provincial HST, PST, QST
4. **Sin taxes:** alcohol and tobacco taxes
5. **Resource-related matters:** resource deductions, credits, royalties, and other items
6. **Real estate taxes:** land transfer taxes and property taxes
7. **Pensions:** including proposed studies
8. **Other:** a catchall category that includes corporate capital tax, anti-avoidance initiatives, partnership and trust matters not covered above, and other items

These categories have been selected for organizational purposes only. Some may overlap (for example, categories 1, 2, and 5).

**TABLE 4 Provincial and Territorial Surplus/(Deficit) Projections, Fiscal Year 2013-14**

Province/territory	Budget date	Finance minister	Projected surplus/(deficit)
			<i>millions of dollars</i>
British Columbia . . . . .	June 27, 2013 <sup>a</sup>	Michael de Jong	153
Alberta . . . . .	March 7, 2013	Doug Horner	(451)
	March 6, 2014 <sup>b</sup>	Doug Horner	1,393
Saskatchewan . . . . .	March 20, 2013	Ken Krawetz	32
Manitoba . . . . .	April 16, 2013	Stan Struthers	(518)
Ontario . . . . .	May 2, 2013	Charles Sousa	(11,743)
Quebec . . . . .	November 20, 2012	Nicolas Marceau <sup>c</sup>	1,039
	November 28, 2013 <sup>d</sup>	Nicolas Marceau	(2,500)
New Brunswick . . . . .	March 26, 2013	Blain Higgs	(479)
Nova Scotia . . . . .	April 4, 2013	Maureen MacDonald	16
	December 19, 2013 <sup>e</sup>	Diana Whalen	(482)
Prince Edward Island . . .	March 27, 2013	Wesley Sheridan <sup>f</sup>	(59)
Newfoundland and Labrador . . . . .	March 26, 2013	Jerome Kennedy	(564)
Yukon . . . . .	March 21, 2013	Darrell Pasloski <sup>g</sup>	73
Northwest Territories . . .	February 7, 2013	J. Michael Miltenberger	113
Nunavut . . . . .	February 27, 2013	Keith Peterson	22

<sup>a</sup> The June 2013 budget was similar to the government's February 19, 2013 budget, which was not enacted owing to a provincial election in May 2013.

<sup>b</sup> The 2014 budget updated the 2013 estimate.

<sup>c</sup> Minister of finance and the economy.

<sup>d</sup> The 2013 economic and financial update recast the 2013 budget estimates announced in November 2012.

<sup>e</sup> An election on October 8, 2013 resulted in a change of government, and a forecast update was announced on December 19, 2013.

<sup>f</sup> Minister of finance, energy, and municipal affairs.

<sup>g</sup> Premier and finance minister.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 5 through 17.

## BRITISH COLUMBIA

### Tax Highlights

- General corporate income tax rate increased
- New top bracket for personal income tax
- PST transitional rules announced
- Carbon tax exemption for farmers
- Tobacco tax increased

### Tax Changes

#### 1. *Corporate Income Tax*

A previously announced increase in the general corporate income tax rate, from 10 percent to 11 percent, was accelerated and took effect on April 1, 2013; the 2012 budget had set an effective date of April 1, 2014. (The average rate for calendar year 2013 was 10.75 percent.)

#### 2. *Personal Income Tax*

For the 2014 and 2015 taxation years, the top personal income tax marginal rate increased to 16.8 percent from 14.7 percent for taxpayers in a temporary top bracket of taxable income in excess of \$150,000.

The basic personal amount tax credit increased as part of the transition from the PST to the HST (see “3. Sales Tax” below). The 2009 amount of \$9,373 was reinstated, adjusted for inflation, and prorated, resulting in a basic personal amount of \$10,276 for 2013.

It was announced that, effective April 1, 2015, a new refundable early childhood tax benefit would be paid monthly to a maximum of \$55 per month (\$660 annually) for each child under age six in a family whose family net income was less than \$100,000; the benefit would be fully phased out when family net income reached \$150,000. An eligible individual must file a personal income tax return in order to obtain the benefit.

Beginning in 2014, medical services plan premiums increased by \$2.75 per month to \$69.25 for a single person, by \$5.00 per month to \$125.50 for a two-person family, and by \$5.50 per month to \$138.50 for a family of three or more persons. An individual on premium assistance was not affected by the increase owing to enhancement of such assistance.

The training and education savings program paid a one-time \$1,200 grant to the registered education savings plan of a BC-resident child born after 2006 who was enrolled in an education program and had attained age six. The parents/contributors have a full year before the child's seventh birthday to apply for the grant.

#### 3. *Sales Tax*

The 7 percent PST was reimplemented effective April 1, 2013. The former PST goods and services base differed from the HST base, which was slightly more expansive; harmonization was expected to increase provincial revenues accordingly. The

**TABLE 5 Projected Revenues and Expenditures, British Columbia, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	44,239
Total expenditures . . . . .	(43,936)
Reserve . . . . .	(150)
Surplus/(deficit) . . . . .	<u>153</u>
Revenue sources	
Personal income tax . . . . .	7,271
Corporate income tax . . . . .	2,109
Sales tax . . . . .	5,927
Other taxes . . . . .	6,025
Total tax revenue . . . . .	21,332
Federal transfers . . . . .	7,480
Other revenues . . . . .	<u>15,427</u>
Total revenues . . . . .	<u>44,239</u>
Expenditures	
Education . . . . .	11,891
Health . . . . .	18,426
Debt servicing . . . . .	2,526
Other expenditures . . . . .	<u>11,093</u>
Total expenditures . . . . .	<u>43,936</u>

Notes: Expenditure figures were estimated by function. Other revenues included commercial Crown corporation net income, natural resource revenue, and miscellaneous items such as medical services plan premiums, fees, investment earnings, and reimbursements.

Source: British Columbia, Ministry of Finance, June Budget Update 2013-14, June 27, 2013.

\$1.6 billion transitional payment received from the federal government for harmonization had to be repaid by the province. The system to collect and administer the tax was re-established by the province. Transitional rules clarified the treatment of legal services, so-called related services, and telecommunication services, and set out the application of the tax where the provision of any such services or other transactions straddled April 1, 2013.

From April 1, 2013 to March 31, 2015, a 2 percent transition tax applied to the purchase of newly constructed or substantially renovated housing that was not subject to HST and construction of which was more than 10 percent complete before April 1, 2013. A rebate was available for PST paid on substantially all construction materials incorporated into the housing after that time. During the transition, for contracts signed between December 1, 2012 and March 31, 2015, builders may have been required to provide purchasers with sales tax information on applicable tax and rebates; for earlier contracts signed on or after February 7, 2012, a builder was required to provide a purchaser with that information in a separate document by January 2, 2013. A builder was also required to provide tax-related information to a purchaser at the time the transition tax was due on the sale. The new housing transition tax was to be administered by the Canada Revenue Agency.

#### **4. Sin Taxes**

To offset the loss of HST revenue on tobacco (which was not subject to PST), effective April 1, 2013, the provincial tobacco tax increased from 18.5 cents to 21.3 cents per cigarette or per gram of fine-cut tobacco, and to 22.3 cents on October 1, 2013; the tax on cigars increased from 77 percent to 90.5 percent of the sales price, to a maximum of \$7 per cigar (from \$6). These taxes are intended to support the province's tobacco control strategy.

#### **5. Resource-Related Matters**

Effective after 2013, a farmer was able to purchase coloured gasoline and diesel fuel exempt from carbon tax where the fuel was to be used for the purposes set out for farm use of coloured fuel under the Motor Fuel Tax Act. The exemption was first announced on February 19, 2013.

#### **6. Real Estate Taxes**

For 2013, the homeowner grant phaseout threshold increased from \$1,285,000 to \$1,295,000; the grant was reduced by \$5 for every \$1,000 of assessed value exceeding that threshold. Effective after 2010, relief was allowed to a homeowner who incorrectly applied for a grant on a second residential property rather than on his or her principal residence and thus had become disentitled to the grant.

The non-residential school property tax rate increased in 2013 by inflation plus an adjustment for new construction, except that the major industry class tax rate was the same as the business class rate, and the 60 percent credit for light industry properties (class 5) (which included sand and gravel operations, oil and gas production pipelines, textile and knitting mills, wineries, and printing and publishing facilities) was phased out over two years.

The deferral of property tax was extended for an eligible homeowner who owned at least 15 percent equity in the home and financially supported his or her child or step-child (or a child by whom a homeowner was qualified under the families-with-children program) age 18 or over who was enrolled in an educational institution or was disabled. Previously, a deferral was available for an eligible homeowner until such time as the home was sold or transferred (or became part of an estate) if he or she met the minimum equity requirement; the deferral was extended, effective on royal assent to the amending legislation, for an owner who (1) continued to hold the property where the principal residence was located, (2) met the minimum equity requirement, and (3) retained no interest in the property disposed of. Simple interest at prime was charged on the tax deferred. Also effective on royal assent, a property tax exemption was expanded to cover the transfer from an estate of a family farm that immediately before the deceased's death was used and farmed by one or more family members, or a family farm corporation. BC Hydro, which is exempt from most property taxation, was authorized, effective on royal assent to the amending legislation, to pay grants to taxing Treaty First Nations.

The Forest Act was amended, effective on royal assent, to allow a penalty for failure to comply with requests for information and records and to allow the BC Supreme Court to enforce compliance of those requests.



**7. Pensions**

No changes were announced.

**8. Other**

No changes were announced.

**ALBERTA****Tax Highlights**

- No personal or corporate income tax rate increases
- No new taxes

**Tax Changes****1. Corporate Income Tax**

No changes were announced.

**2. Personal Income Tax**

No changes were made to personal income tax rates or brackets. Personal income tax credits increased by 1.8 percent to offset inflation; the personal, spousal, and eligible dependant amounts each increased to \$17,593.

Effective July 2013, the family employment tax credit payments—\$728 for one child, \$1,390 for two children, \$1,787 for three children, and \$1,919 for four children—were indexed for inflation. The credit began to phase out when income reached \$35,525.

**3. Sales Tax**

No changes were announced.

**4. Sin Taxes**

No changes were announced.

**5. Resource-Related Matters**

No changes were announced.

**6. Real Estate Taxes**

In 2013, education property tax rates were reduced by 1.8 percent, although property tax continued to be based on a property's assessed value.

**7. Pensions**

No changes were announced.

**8. Other**

Starting with the 2013 budget, Alberta began to publish its tax expenditure estimates.

**TABLE 6 Projected Revenues and Expenditures, Alberta, Fiscal Year 2013-14**

	2013 budget	As revised in 2014 budget
	<i>millions of dollars</i>	
Total revenues . . . . .	37,555	43,742
Total expenditures . . . . .	(38,006)	(42,349)
Surplus (deficit) . . . . .	<u>(451)</u>	<u>1,393</u>
Revenue sources		
Personal income tax . . . . .	10,001	10,532
Corporate income tax . . . . .	4,943	5,221
Sales tax . . . . .	na	na
Other taxes . . . . .	<u>4,225</u>	<u>4,289</u>
Total tax revenue . . . . .	19,169	20,042
Federal transfers . . . . .	5,120	7,746
Other revenues . . . . .	<u>13,266</u>	<u>15,954</u>
Total revenues . . . . .	<u>37,555</u>	<u>43,742</u>
Expenditures		
Education . . . . .	6,223	6,322
Health . . . . .	17,461	17,666
Debt servicing . . . . .	402	362
Other expenditures . . . . .	<u>13,920</u>	<u>17,999</u>
Total expenditures . . . . .	<u>38,006</u>	<u>42,349</u>

Notes: The figures reported only net operational revenues and expenditures, including net income of government business enterprises; figures were reported in each of the 2013 and the 2014 budget operational plans. The operational deficit figure was shown in “Building Alberta: Budget 2013 Delivers Responsible Change.” Revenue received for capital plan purposes, portions of Heritage Fund investment income being saved, and allocated debt-servicing costs that relate to the capital plan were deducted from total revenue of \$38.6 billion to arrive at operational revenue of \$37.6 billion. Expenditure figures appeared to be organized by department. Debt-servicing costs were related to general debt only.

“Other revenues” included non-renewable resource revenue of \$7,250 million estimated in the 2013 budget and \$8,627 million forecasted for fiscal year 2013-14 in the 2014 budget.

Sources: Alberta, Ministry of Treasury Board and Finance, Budget 2013, March 7, 2013, and Budget 2014, March 6, 2014.

## SASKATCHEWAN

### Tax Highlights

- Reduction in the corporate income tax rate deferred
- No personal income tax rate increases
- Tobacco and liquor taxes increased
- Resource credit reduced

### Tax Changes

#### 1. *Corporate Income Tax*

The government deferred its commitment to reduce the general corporate income tax rate from 12 percent to 10 percent until it is “sustainable to do so.”<sup>4</sup>

For labour-sponsored venture capital corporations (LSVCCs), minimum net capitalization in innovation-related investments in small and medium-sized businesses was set at 15 percent in 2013, rising to 20 percent in 2014 and 25 percent thereafter. Consultations and the Saskatchewan Plan for Growth were intended to assist in defining eligible investments. Beginning in 2013, the annual capital that an LSVCC can raise was reduced from \$110 million to \$80 million, and no single LSVCC could raise more than one-half of that total each year.

Also see “5. Resource-Related Matters” below.

#### 2. *Personal Income Tax*

No changes were announced.

#### 3. *Sales Tax*

No changes were announced.

#### 4. *Sin Taxes*

Effective at midnight on March 20, 2013 (budget day), the provincial tobacco tax increased from 21 cents to 25 cents per cigarette or per gram of cut or loose tobacco.

Liquor markups increased by about 3 percent effective April 1, 2013.

#### 5. *Resource-Related Matters*

The Saskatchewan resource credit against Crown royalties and production taxes on production in the province of oil, natural gas, potash, uranium, and coal was reduced by 0.25 percentage points effective April 1, 2013. The credit rate on oil and gas production from wells drilled before October 2002 was previously 1.0 percent or 2.5 percent of the production value, depending on the type of well and when it was drilled; the rate for potash, uranium, and coal was 1 percent of sales.

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<sup>4</sup> Saskatchewan, Ministry of Finance, Budget 2013-14, Budget Summary, March 20, 2013, at 8.

**TABLE 7 Projected Revenues and Expenditures, Saskatchewan, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	11,607
Total expenditures . . . . .	(11,543)
Reserve . . . . .	(32)
Surplus (deficit) . . . . .	<u>32</u>
Revenue sources	
Personal income tax . . . . .	2,446
Corporate income tax . . . . .	987
Sales tax . . . . .	1,401
Other taxes . . . . .	<u>1,158</u>
Total tax revenue . . . . .	5,992
Federal transfers . . . . .	1,628
Other revenues . . . . .	<u>3,987</u>
Total revenues . . . . .	<u>11,607</u>
Expenditures	
Education . . . . .	1,293
Health . . . . .	4,799
Debt servicing . . . . .	610
Other expenditures . . . . .	<u>4,841</u>
Total expenditures . . . . .	<u>11,543</u>

Notes: Figures included transfers from Crown entities. Expenditures, including education and health figures, were shown by ministry; debt servicing included general debt for Crown corporations and specific debt for government business enterprises. Total expenditures included capital transfers.

“Other revenues” included non-renewable resource revenue of \$2,671 million.

Source: Saskatchewan, Ministry of Finance, Budget 2013-14, March 20, 2013.

## 6. Real Estate Taxes

No changes were announced.

## 7. Pensions

The province announced that it would strengthen its support of the new federal pooled registered pension plans (PRPPs), which are intended to provide low-cost retirement savings for employees and the self-employed. The federal PRPP legislation governed only employees of federally regulated organizations. Saskatchewan committed to introduce legislation in 2013 that mirrored the federal legislation with modifications as required to accommodate provincial pension rules. If an employer adopted a PRPP, each employee would be automatically enrolled but could opt out. An employee of a non-participating employer or a self-employed individual could sign up directly with a “PRPP administrator,” which could potentially include a financial institution, a life insurance company, or any other corporation with the

necessary expertise and experience. A participating employer could make contributions to a PRPP on an employee's behalf that would not be subject to CPP and EI premiums, making them perhaps more attractive than group registered retirement savings plans (RRSPs). On retirement, the individual was expected to be able to decumulate, as would a contributor to a provincial defined contribution plan, via a registered retirement income fund (RRIF), a variable pension benefit, or a life annuity. The Saskatchewan Pension Plan (SPP) was a model for the PRPP, and the government committed to amend the legislation to allow an SPP to offer a PRPP.

## **8. Other**

No changes were announced.

## **MANITOBA**

### **Tax Highlights**

- Small business limit increased in 2014
- Capital tax on financial institutions increased
- Sales tax rate increased
- Tobacco tax increased

### **Tax Changes**

#### **1. Corporate Income Tax**

The small business limit for a Canadian-controlled private corporation increased from \$400,000 to \$425,000 effective January 1, 2014; the zero tax rate continued to apply.

The province's research and development (R & D) tax credit was amended in part to reflect certain changes to the federal scientific research and experimental development tax credit, although capital expenditures and contract payments to eligible institutes remained eligible for the Manitoba credit. The federal prescribed proxy amount was reduced from 65 percent to 60 percent of direct labour costs in 2013 and to 55 percent in 2014. Contract payments were decreased to 80 percent (instead of 100 percent) claimable for federal purposes, eliminating the profit element from the tax credit. The Manitoba R & D tax credit reflected those federal changes, except as described above.

Several technical and administrative amendments were to be made, including technical amendments to the manufacturing investment tax credit and the R & D tax credit to ensure that they operated as intended, particularly if a corporation renounced credits.

To reflect the increase in sales tax (see "3. Sales Tax" below), the refundable portion of the 10 percent manufacturing investment tax credit increased from seven-tenths to eight-tenths for qualified property acquired after June 30, 2013.

The refundable film and video production tax credit for projects developed and produced in Manitoba was extended to December 31, 2016.

**TABLE 8 Projected Revenues and Expenditures, Manitoba, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	14,182
Total expenditures . . . . .	(14,847)
In-year adjustments/lapse/contingency . . . . .	<u>147</u>
Surplus (deficit) . . . . .	<u>(518)</u>
Revenue sources	
Personal income tax . . . . .	2,952
Corporate income tax . . . . .	413
Sales tax . . . . .	2,047
Other taxes . . . . .	<u>1,969</u>
Total tax revenue . . . . .	7,381
Federal transfers . . . . .	3,849
Other revenues . . . . .	<u>2,952</u>
Total revenues . . . . .	<u>14,182</u>
Expenditures	
Education . . . . .	3,807
Health . . . . .	5,660
Debt servicing . . . . .	839
Other expenditures . . . . .	<u>4,541</u>
Total expenditures . . . . .	<u>14,847</u>

Note: The government reporting entity included core government, Crown organizations, government business entities, and public sector organizations. In-year adjustments/lapse may be an increase in revenue and/or a decrease in expenditure.

Source: Manitoba, Department of Finance, Budget 2013, April 16, 2013.

The interactive digital media tax credit was extended from January 1, 2014 to December 31, 2016. In addition, the following changes were announced for a project that was issued an eligibility certificate after 2011 and commenced production after 2012: (1) a company could claim up to \$100,000 in eligible marketing and distribution expenses directly attributable to an eligible project; (2) financial support recoupable or repayable to the Canada Media Fund was not treated as government assistance; (3) there was no need to demonstrate that an eligible project developed under a contract for an arm's-length purchaser would be resold or licensed by it; and (4) determination of eligibility was made more flexible by a broader interpretation of the sale requirement.

The non-refundable 30 percent small business venture capital tax credit was extended from January 1, 2014 to December 31, 2016.

The 10 percent odour control tax credit was made refundable to agricultural producers on qualifying property acquired after 2012.

The data-processing investment tax credit was broadened: a taxable Canadian company with a Manitoba permanent establishment was eligible for an 8 percent refundable investment tax credit even if it was not primarily engaged in data processing in the province. In a taxation year, the company must have purchased or

leased at least \$10 million of incremental eligible data-processing equipment, including such property in classes 46 and 50 that was made available for use in Manitoba after April 16, 2013 and before 2016. To offset the increase in sales tax, the credit was increased for a corporation that was primarily engaged in data processing in the province, from 7 percent to 8 percent on data-processing centre equipment and from 4 percent to 4.5 percent on data-processing buildings.

A new rental housing construction tax credit, which was intended to offset Manitoba sales tax on new rental housing construction, equalled 8 percent of the capital cost of new rental housing construction in Manitoba if at least five residential units were newly constructed or converted from non-residential property: at least 10 percent of the units must have been affordable housing for that unit type. An annual attestation by the landlord for at least five years must have identified the affordable units, monthly rent, and total new units constructed. The maximum credit was \$12,000 per unit and was earned when the project was available for rental. The credit for not-for-profits was refundable as qualifying units were rented. A for-profit project's credit was not refundable; it could be claimed over five years at least, and was capped annually at the landlord's Manitoba income tax payable. An eligible landlord must have been resident in Manitoba or have had a Manitoba permanent establishment. The credit was claimed by filing an income tax return.

## **2. Personal Income Tax**

Effective after 2013, for personal income tax purposes, the dividend tax credit on non-eligible dividends was set to parallel federal changes and reduced from 1.75 percent to 0.83 percent. See also some items in "1. Corporate Income Tax" above.

## **3. Sales Tax**

On July 1, 2013, the retail sales tax rate increased from 7 to 8 percent. Exemptions were expanded to include child safety restraint systems, bicycle helmets, and baby supplies such as diapers, strollers, cribs, and items used for nursing, feeding, and bathing. The exemption was also expanded for qualifying sand and salt mixtures purchased by a municipality.

## **4. Sin Taxes**

The provincial tobacco tax increased by 4 cents to 29 cents per cigarette, to 28 cents per gram on fine-cut tobacco, and to 26.5 cents per gram on raw leaf tobacco, effective at midnight on April 16, 2013 (budget day).

## **5. Resource-Related Matters**

A fuel tax on natural gas used in a motor vehicle was phased in at a rate of 3 cents per cubic metre (m<sup>3</sup>) after April 16, 2013; 6 cents/m<sup>3</sup> after March 31, 2014; and 10 cents/m<sup>3</sup> after March 31, 2015.

An amendment was to be made that would eliminate the fuel tax licence requirement for a retail fuel dealer.

## 6. Real Estate Taxes

In 2014, an eligible senior homeowner with a qualifying residential property was slated to receive one-half of the estimated benefit from the elimination of the school division special property tax levy.

The farmland school tax rebate was amended, starting in the 2013 property tax year, to make the rebate available only to an eligible farmland owner who was a Manitoba resident; to cap the rebate at \$5,000; and to require that applications be filed no later than March 31 of the following year. (Applications for the 2011 and 2012 property tax years could be filed until March 31, 2014.)

Land transfer tax legislation was to be amended to exempt property subject to sales tax, to provide relief for a court-ordered rescission or a mutually agreed-upon sale reversal, to issue a general anti-avoidance rule-based assessment notice if a title conveyance was registered to reduce or eliminate tax in an avoidance transaction, and to exempt first-time registration of a statutory easement.

## 7. Pensions

No changes were announced.

## 8. Other

Enforcement and collection measures under The Tax Administration and Miscellaneous Taxes Act were to be enhanced.

The corporation capital tax on financial institutions was increased from 4 percent to 5 percent for taxation years ending after April 16, 2013.

# ONTARIO

## Tax Highlights

- No corporate income tax, personal income tax, or sales tax rate increases
- Small employer health tax exemption increased
- Underground economy and aggressive international tax planning targeted

## Tax Changes

### 1. Corporate Income Tax

In 2014, the employer health tax exemption for a small employer, a charity, and a not-for-profit organization increased from \$400,000 to \$450,000 of annual Ontario payroll (indexed for inflation every five years), but was eliminated for a private-sector employer (except a charity) with a payroll that exceeded \$5 million.

Effective for expenditures incurred after March 31, 2014, some trades were no longer eligible for the 35-45 percent refundable apprenticeship training tax credit—namely, an information technology contact centre technical support agent, inside sales agent, and customer care agent. The November 2013 economic statement announced that transitional funding support would be provided for up to 24 months from the date of hiring an eligible apprentice hired before May 3, 2013.



**TABLE 9 Projected Revenues and Expenditures, Ontario, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	116,845
Total expenditures . . . . .	(127,588)
Reserve . . . . .	<u>(1,000)</u>
Surplus (deficit) . . . . .	<u>(11,743)</u>
<b>Revenue sources</b>	
Personal income tax . . . . .	27,578
Corporate income tax . . . . .	11,269
Sales tax . . . . .	21,856
Other taxes . . . . .	<u>21,272</u>
Total tax revenue . . . . .	81,975
Federal transfers . . . . .	22,475
Other revenues . . . . .	<u>12,395</u>
Total revenues . . . . .	<u>116,845</u>
<b>Expenditures</b>	
Education . . . . .	24,147
Health . . . . .	48,855
Debt servicing . . . . .	10,605
Other expenditures . . . . .	<u>43,981</u>
Total expenditures . . . . .	<u>127,588</u>

Notes: The figures included revenues and expenditures for government business enterprises. Expenditures were shown by ministry.

Sources: Ontario, Ministry of Finance, 2013 Budget, May 2, 2013, and Economic Outlook and Fiscal Review, November 7, 2013.

Ontario committed to harmonize with 2013 federal budget changes such as the extension of accelerated capital cost allowance for manufacturing and processing (M & P) equipment and machinery acquired in 2014 and 2015 and for clean energy generation equipment, corporate and trust loss trading, and mining expenses. In accordance with the federal-provincial tax collection agreement, Ontario would adopt appropriate measures when the federal changes were enacted or promulgated.

The November 2013 economic statement announced that the government was working on a non-refundable tax credit to encourage donations of surplus fresh food.

## **2. Personal Income Tax**

The November 2013 economic statement announced that in 2014 the dividend tax credit would not reduce the base for an individual's surtax for purposes of the personal income tax. Ontario committed to review the potential for further inequities in the interaction of the surtax and personal credits.

Starting in 2014, a low- to moderate-income individual could choose to receive the Ontario trillium benefit program payment monthly or in a single payment at the end of the benefit year. That benefit captured the sales tax credit, the energy and property tax credit, and the northern Ontario energy credit.

Ontario committed to harmonize with 2013 federal budget changes such as the treatment of non-eligible dividends, the lifetime capital gains exemption, restricted farm losses, the safety deposit deduction, character conversion transactions, and leveraged life insurance arrangements.

### **3. Sales Tax**

The minister may withhold a clearance certificate that a business was required to obtain for sales tax on sales to which the Bulk Sales Act applied if certain other taxes were owing or not secured; Ontario proposed to repeal the sunset date of June 30, 2013.

### **4. Sin Taxes**

To promote and protect the health of Ontarians from tobacco use, Ontario committed to moving ahead with the oversight of raw leaf tobacco so that growers, importers, exporters, certain transporters, processors, and dealers would be required to be registered after 2013. The economic statement delayed implementation until after 2014 in order to seek broad input from stakeholders. After 2013, only cigarettes and fine-cut tobacco marked with a single integrated stamp could be sold by retail sale; a retailer risked having its lottery permit suspended or revoked if it made illegal sales. The government was also considering other compliance amendments to the Tobacco Tax Act to reduce the availability of illegal tobacco in Ontario. Following recommendations in a report prepared in January 2012, the government was supporting two pilot projects with First Nations to modernize the allocation of unmarked tobacco products and to explore on-reserve self-regulation models. The economic statement noted that the Tobacco Act was amended to allow Ontario to make agreements with First Nations with respect to self-regulation of tobacco on reserve.

### **5. Resource-Related Matters**

Effective April 1, 2014, the fuel tax exemption for biodiesel was repealed, and the province promised to consult to reach its mandate for greener diesel fuels.

As announced in the 2012 budget, Ontario planned to start work with stakeholders to ensure that it was supporting exploration for and production of minerals and also receiving a fair return on its resources.

### **6. Real Estate Taxes**

The November 2013 economic statement announced that rates of provincial land tax, a property tax in unincorporated areas, were frozen for 2014 at 2013 rates while the government consulted with northern stakeholders to address concerns about tax fairness.

The economic statement announced that the province was exploring options to prevent further erosion of the education property tax's support of elementary and secondary schools and would review a recommendation to establish a uniform business education tax province-wide.

### **7. Pensions**

Pension coverage had been declining, and many defined benefit plans were closed to new employees in private sector companies. PRPPs were a low-cost vehicle supported by the federal government; Ontario committed to consult with interested parties in order to ensure, *inter alia*, members' protection and the meeting of low-cost objectives. A framework for target benefit plans was being further developed.

### **8. Other**

Ontario and the federal government negotiated a new agreement to enhance compliance, with a focus on aggressive international tax planning.

Ontario committed to new disclosure rules regarding aggressive tax-avoidance transactions similar to federal rules introduced in November 2012; a taxpayer would be required to report aggressive tax-avoidance transactions that attempted to avoid Ontario tax.

Ontario committed to expand its automated risk assessment system to identify tax accounts that represented the highest risk of tax loss.

Ontario also requested the federal government to act on provincial profit shifting and to provide Ontario with related sufficient and timely information.

Ontario and the federal government have negotiated an agreement to enhance compliance to tackle the underground economy, but Ontario called on the federal government to take further action.

## **QUEBEC**

### **Tax Highlights**

- M & P tax credit temporarily increased
- New tax holiday for large investment projects
- Temporary tax credit increase for biopharmaceutical R & D salaries
- New top personal income tax bracket
- Tobacco and liquor taxes increased

### **Tax Changes**

#### **1. Corporate Income Tax**

Commencing after November 20, 2012 (budget day), a new 10-year tax holiday (replacing an earlier program) was created for large investment projects carried out by a corporation in manufacturing, data processing and storage, wholesale trade, and warehousing. The tax holiday applies to corporate income tax on income from eligible activities in Quebec and to health services fund employer contributions on

**TABLE 10 Projected Revenues and Expenditures, Quebec, Fiscal Year 2013-14**

	2013-14 budget	November 2013 update
	<i>millions of dollars</i>	
Total revenues . . . . .	72,360	69,806
Total expenditures . . . . .	(72,392)	(72,408)
Reserve and consolidated entities . . . . .	1,071	102
Surplus (deficit) . . . . .	<u>1,039</u>	<u>(2,500)</u>
Revenue sources		
Personal income tax . . . . .	20,365	19,379
Corporate income tax . . . . .	4,652	3,773
Sales tax . . . . .	17,231	16,472
Other taxes . . . . .	<u>8,859</u>	<u>8,528</u>
Total tax revenue . . . . .	51,107	48,152
Federal transfers . . . . .	16,145	16,619
Other revenues . . . . .	<u>5,108</u>	<u>5,035</u>
Total revenues . . . . .	<u>72,360</u>	<u>69,806</u>
Expenditures		
Education . . . . .	10,205	10,205
Health . . . . .	31,258	31,258
Debt servicing . . . . .	8,601	8,583
Other expenditures . . . . .	<u>22,328</u>	<u>22,362</u>
Total expenditures . . . . .	<u>72,392</u>	<u>72,408</u>

Notes: The figures shown for specific revenue sources and expenditures were general fund figures. The education expenditure figure in the November 2013 update was a combined figure that included program spending allocated to the Department of Education, Recreation, and Sports as well as the Department of Higher Education, Research, Science, and Technology; according to the update, the revised expenditure estimates were comparable to the 2013-14 budget estimates and thus the updated figures shown above for education expenditures duplicated the budget figures. The figure shown for health expenditures was by department. The consolidated figures for debt servicing were reported to be \$10,869 million in the budget and \$10,850 million in the update.

Sources: Quebec, Department of Finance and the Economy, Budget 2013-2014, November 20, 2012 and Update on Québec's Economic and Financial Situation, November 28, 2013.

wages attributable to time spent on those activities. The tax holiday was not to exceed 15 percent of total eligible investment expenditures; the total minimum investment must have reached \$300 million within 48 months of the issuance of an initial certificate. An initial certificate application must have been submitted before November 21, 2015 and before the project began; annual certificates were also required.

The M & P tax credit for equipment investment was extended by two years, to the end of 2017, except for property used mainly in the course of ore smelting, refining,

or hydrometallurgy activities, other than ore from a gold or silver mine, extracted from a mineral resource. The tax credit rate also increased by 5 percentage points for qualified property acquired after budget day for use mainly in the eastern Bas-Saint-Laurent administrative region (now up to 35 percent) and in an intermediate zone (now up to 25 percent), unless the corporation (or an associated corporation) received a job creation tax credit in certain regions for a calendar year (a taxation year of an associated corporation) ending in a taxation year.

The refundable tax credit for R & D salaries for an eligible biopharmaceutical corporation was temporarily increased from 17.5 percent to 27.5 percent for eligible R & D expenditures incurred after November 20, 2012 and before January 1, 2018. For a small or medium-sized enterprise that is an eligible biopharmaceutical corporation and already eligible to claim an enhanced 37.5 percent tax credit, the rate was reduced linearly at a slower rate than previously, to 27.5 percent, if the corporation's assets ranged from over \$50 million to \$75 million.

The automatic exemption from the definition of government assistance was eliminated for certain refundable tax credits; a credit received after November 20, 2012 was included in the recipient's income in respect of an expenditure incurred for a taxation year that began after that date.

The reduction in health services contributions for a private-sector employer of workers aged 65 and older, which was planned to commence in 2013, was deferred.

## **2. Personal Income Tax**

Starting in 2013, personal income tax was imposed at a rate of 25.75 percent on a new fourth bracket for taxable income over \$100,000, to be indexed annually. The new rate also applied from 2013 to an inter vivos trust; the tax rate for a non-resident inter vivos trust that paid tax on its rental property income from an immovable in Quebec was raised to 7.05 percent. Consequential increases were made in 2013 to the rates of tax on children's split income, on a payment from an income-averaging annuity on artistic activities, and on excess amounts from an employee profit-sharing plan. For 2013, the capital gains inclusion rate for the purposes of the alternative minimum tax was raised from 75 percent to 80 percent; the rate for calculating a non-Quebec-resident individual's refundable tax credit for child-care expenses increased to 25.75 percent if the individual carried on business in Quebec and his or her spouse was not a Quebec resident; and the tax rate on a capital gain on a disposition of taxable Quebec property (such as an immovable) by a non-resident increased from 12 percent to 12.875 percent. The increased tax on the new higher bracket was earmarked for the health services fund to offset the shortfall arising from the restructured health contribution.

Measures for 2013 to 2016 relating to workers aged 65 and over were deferred indefinitely for a tax credit that eliminated the tax on some earned income in excess of \$5,000; excess income remained capped indefinitely at the 2012 level of \$3,000.

In 2013, a new 20 percent refundable tax credit was phased in for youth activities—physical, artistic, cultural, recreational, and developmental—for a child at least 5 years

old and not yet 16 (18 for a mentally or physically impaired child); family income could not exceed \$130,000 (indexed). The credit was capped at \$100 in 2013 per child (\$200 in the case of impairment) and was to be increased to \$500 per child in 2017 (\$1,000 in the case of impairment). Receipts were required to be retained.

From 2013, an individual's health contribution was based on his or her net income exceeding \$18,000 (thresholds were indexed) instead of on family income. From 2013, the contribution was deducted at source unless it was paid in instalments, no contributions were payable, or another employer deducted contributions. Previously exempt individuals continued to be exempt.

See also some items in "1. Corporate Income Tax" above.

### **3. Sales Tax**

No changes were announced.

### **4. Sin Taxes**

As of November 21, 2012, the provincial tobacco tax increased by 2 cents to 12.9 cents per cigarette, per gram of loose or leaf tobacco, and per tobacco stick; the tax rate of 16.77 cents per gram on other tobacco (but not cigars) increased to 19.85 cents per gram. An inventory was required to be taken of all products in stock at midnight on November 20, 2012, and the increased tax and inventory form were required to be remitted before December 22, 2012.

The alcoholic beverage tax increased at 3 a.m. on November 21, 2012: products sold for consumption in an establishment were taxed at \$0.82 per litre (l) for beer and \$2.47/l for other beverages (formerly \$0.65 and \$1.97 respectively); alcoholic beverages sold for consumption other than in an establishment were taxed at \$0.50/l for beer and \$1.12/l for other beverages (formerly \$0.40 and \$0.89 respectively). The reductions available to microbrewers and small-scale producers continued to apply to the increased rates. Thus, for a microbrewer, reductions of 67 percent and 33 percent, respectively, applied on each of the first two tranches of 75,000 hectolitres (hl) of beer sold in a year for consumption in an establishment or elsewhere, respectively. The first 1,500 hl of other alcoholic beverages sold in a year by a small-scale producer were tax-exempt, and a tax reduction of 85 percent applied to the next 13,500 hl sold in the year for consumption in an establishment or elsewhere, respectively. An inventory, including beverages acquired but not yet delivered, was required as of the effective time and the increased tax and inventory form must have been remitted before December 22, 2012.

### **5. Resource-Related Matters**

No changes were announced.

### **6. Real Estate Taxes**

No changes were announced.

## 7. Pensions

No changes were announced.

## 8. Other

The portion of the compensation tax on financial institutions that reflected the government's cost of granting input tax refunds to financial services suppliers under the QST system was eliminated to reflect the financial services exemption from QST after 2012. Thus, only the temporary contribution remained, and it was increased, effective from January 1, 2013 to March 31, 2019:

1. tax on wages paid by a bank, a loan or trust corporation, and a corporation trading in securities increased from 1.9 percent to 2.8 percent; tax on wages paid by a savings and credit union increased from 1.3 percent to 2.2 percent; and tax on wages paid by any other person increased from 0.5 percent to 0.9 percent; and
2. the tax increase for insurance premiums and amounts established regarding insurance funds increased from 0.2 percent to 0.3 percent.

Proration applied to straddle years.

In order to allow Revenu Québec to identify trusts that have a significant link with Quebec but that were not filing Quebec returns, a new requirement was introduced for a non-excluded trust that was liable for Quebec tax to file a Quebec tax return if (1) in that taxation year, the trust deducted an amount allocated to a beneficiary, wherever resident; (2) the trust was a Quebec-resident trust on the last day of its taxation year and at any time in the year it owned a property the cost of which exceeded \$250,000; or (3) the trust was a non-Quebec-resident trust on the last day of its taxation year and at any time in that year it owned and used, in a Quebec business that it carried on, a property the cost of which exceeded \$250,000. A tax return was due for any taxation year that began after November 20, 2012.

A Quebec information return was required to be filed by a non-excluded trust that was resident in Canada outside Quebec and that at any time in the year owned (directly or as a partnership member) a Quebec immovable property used mainly to earn rental income. An information return was due 90 days after any taxation year that began after November 20, 2012.

Quebec government departments were working with Revenu Québec to counter tax evasion in at-risk areas such as the construction industry, tobacco smuggling, and organized economic and financial crime, and to counter corruption and collusion.

## NEW BRUNSWICK

### Tax Highlights

- General corporate income tax rate increased
- Personal income tax rates increased
- Natural resources royalty structure to change
- Tobacco tax increased

**TABLE 11 Projected Revenues and Expenditures, New Brunswick, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	7,994
Total expenditures . . . . .	(8,473)
Reserve . . . . .	<u>nil</u>
Surplus (deficit) . . . . .	<u>(479)</u>
Revenue sources	
Personal income tax . . . . .	1,416
Corporate income tax . . . . .	236
Sales tax . . . . .	1,160
Other taxes . . . . .	<u>971</u>
Total tax revenue . . . . .	3,783
Federal transfers . . . . .	2,858
Other revenues . . . . .	<u>1,353</u>
Total revenues . . . . .	<u>7,994</u>
Expenditures	
Education . . . . .	1,097
Health . . . . .	2,586
Debt servicing . . . . .	664
Other expenditures . . . . .	<u>4,126</u>
Total expenditures . . . . .	<u>8,473</u>

Notes: Figures were shown on a main estimates basis. Expenditure figures were shown by department. "Other revenues" included \$111 million in forest and mining royalties.

Source: New Brunswick, Department of Finance, 2013-2014 Budget, March 26, 2013.

## Tax Changes

### 1. Corporate Income Tax

Effective July 1, 2013, the general corporate income tax rate increased from 10 percent to 12 percent. (The average rate for calendar year 2013 was 11.01 percent.)

### 2. Personal Income Tax

Effective July 1, 2013, personal income tax rates increased to 2006 levels in all four income brackets:

- for income from 0 to \$38,954, the rate increased from 9.1 percent to 9.68 percent;
- for income from \$38,954 to \$77,908, the rate increased from 12.1 percent to 14.82 percent;
- for income from \$77,908 to \$126,662, the rate increased from 12.4 percent to 16.52 percent; and
- for income over \$126,662, the rate increased from 14.3 percent to 17.84 percent.



The government announced its intention to consult with a view to enhancing the small business investor tax credit.

### **3. Sales Tax**

No changes were announced.

### **4. Sin Taxes**

Effective March 27, 2013, the provincial tobacco tax increased by 2 cents per cigarette and to 19 cents per gram for other tobacco products except cigars, on which the tax increased to 75 percent of the normal retail price.

### **5. Resource-Related Matters**

Changes to the natural resources royalty structure were scheduled to be announced after the budget.

### **6. Real Estate Taxes**

No changes were announced.

### **7. Pensions**

No changes were announced.

### **8. Other**

No changes were announced.

## **NOVA SCOTIA**

### **Tax Highlights**

- Small business rate and threshold decreased
- HST rate reductions to proceed in 2014 and 2015
- New non-refundable age amount tax credit
- Property tax rebate for seniors increased
- Tobacco tax increased

### **Tax Changes**

#### **1. Corporate Income Tax**

The small business corporate income tax rate was reduced from 4.0 percent to 3.5 percent in 2013, and was to be further reduced to 3 percent after 2013; the rate reduction was offset by a decrease in the small business threshold from \$400,000 to \$350,000 after 2013.

#### **2. Personal Income Tax**

The rate of personal income tax on regular dividends was set to change in 2014 to reflect federal changes to the dividend gross-up and tax credit.

**TABLE 12 Projected Revenues and Expenditures, Nova Scotia, Fiscal Year 2013-14**

	2013-14 budget	December 2013 update
	<i>millions of dollars</i>	
Total revenues . . . . .	9,481	9,323
Total expenditures . . . . .	(9,524)	(9,853)
Reserve and consolidating adjustments . . . . .	59	48
Surplus (deficit) . . . . .	<u>16</u>	<u>(482)</u>
Revenue sources		
Personal income tax . . . . .	2,278	2,206
Corporate income tax . . . . .	474	466
Sales tax . . . . .	1,722	1,692
Other taxes . . . . .	630	625
Total tax revenue . . . . .	5,104	4,989
Federal transfers . . . . .	3,006	3,016
Other revenues . . . . .	1,371	1,318
Total revenues . . . . .	<u>9,481</u>	<u>9,323</u>
Expenditures		
Education . . . . .	1,106	1,111
Health . . . . .	3,911	3,920
Debt servicing . . . . .	889	855
Other expenditures . . . . .	3,618	3,967
Total expenditures . . . . .	<u>9,524</u>	<u>9,853</u>

Notes: Revenue source figures were for the general revenue fund only. Expenditure figures were shown by department.

Sources: Nova Scotia, Department of Finance and Treasury Board, Budget 2013-2014, April 4, 2013, and Nova Scotia, Forecase Update, December 19, 2013.

A new \$1,000 non-refundable age amount tax credit would apply in 2014 for seniors with taxable income under \$24,000.

### 3. Sales Tax

The government committed to proceed with planned reductions in the provincial portion of the HST rate; the HST rate would decrease from 15 percent to 14 percent in 2014 and to 13 percent by July 1, 2015.

### 4. Sin Taxes

Effective April 5, 2013, the provincial tobacco tax increased by 2 cents per cigarette or tobacco stick to 23.52 cents each and per gram of fine-cut tobacco to 22 cents.

### 5. Resource-Related Matters

No changes were announced.

## **6. Real Estate Taxes**

For low-income seniors, the property tax rebate increased by \$200 to \$800.

## **7. Pensions**

No changes were announced.

## **8. Other**

No changes were announced.

## **PRINCE EDWARD ISLAND**

### **Tax Highlights**

- Small business rate increased
- Change to HST effective April 1, 2013
- Tobacco tax decreased
- Gasoline tax decreased

### **Tax Changes**

#### **1. Corporate Income Tax**

From April 1, 2013, the date of inception of the HST (see “3. Sales Tax” below), the small business income tax rate increased from 1 percent to 4.5 percent.

#### **2. Personal Income Tax**

As a result of the increased small business tax rate, the dividend tax credit was adjusted from April 1, 2013 to improve integration. Also see “3. Sales Tax” below.

#### **3. Sales Tax**

A new 14 percent HST took effect on April 1, 2013. Point-of-sale exemptions from the provincial portion of the HST applied to heating oil, children’s clothing and footwear, and printed books.

Beginning in July 2013, a lower-income individual PEI resident received a provincial HST credit (up to \$200) in addition to the federal HST credit.

#### **4. Sin Taxes**

Reflecting the introduction of the HST, effective April 1, 2013, the provincial tobacco tax was reduced from 25.4 cents to 22.5 cents per cigarette and tobacco stick, and from 19.3 cents to 17.5 cents per gram of fine-cut tobacco.

#### **5. Resource-Related Matters**

As a consequence of the introduction of the HST, the provincial gasoline tax was reduced from 15.8 cents to 13.1 cents/l effective April 1, 2013.

**TABLE 13 Projected Revenues and Expenditures, Prince Edward Island, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	1,566
Total expenditures . . . . .	(1,625)
Reserve . . . . .	<u>nil</u>
Surplus (deficit) . . . . .	<u>(59)</u>
Revenue sources	
Personal income tax . . . . .	302
Corporate income tax . . . . .	47
Sales tax . . . . .	251
Other taxes . . . . .	<u>214</u>
Total tax revenue . . . . .	814
Federal transfers . . . . .	600
Other revenues . . . . .	<u>152</u>
Total revenues . . . . .	<u>1,566</u>
Expenditures	
Education . . . . .	231
Health . . . . .	566
Debt servicing . . . . .	113
Other expenditures . . . . .	<u>715</u>
Total expenditures . . . . .	<u>1,625</u>

Notes: Figures for revenue and expenditure were consolidated. Expenditure figures were shown by department.

Source: Prince Edward Island, Department of Finance, Energy and Municipal Affairs, Budget 2013-2014, March 27, 2013.

## 6. Real Estate Taxes

No changes were announced.

## 7. Pensions

No changes were announced.

## 8. Other

No changes were announced.

## NEWFOUNDLAND AND LABRADOR

### Tax Highlights

- No new taxes
- Tobacco tax increased

**TABLE 14 Projected Revenues and Expenditures, Newfoundland and Labrador, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	6,757
Total expenditures . . . . .	(7,571)
Income of government business enterprises . . . . .	250
Surplus (deficit) . . . . .	<u>(564)</u>
Revenue sources	
Personal income tax . . . . .	1,113
Corporate income tax . . . . .	375
Sales tax . . . . .	1,001
Other taxes . . . . .	<u>2,810</u>
Total tax revenue . . . . .	5,299
Federal transfers . . . . .	656
Other revenues . . . . .	<u>802</u>
Total revenues . . . . .	<u>6,757</u>
Expenditures	
Education . . . . .	1,221
Health . . . . .	2,301
Debt servicing . . . . .	848
Other expenditures . . . . .	<u>3,201</u>
Total expenditures . . . . .	<u>7,571</u>

Note: Reported budgetary revenue from taxes included offshore royalties of \$2,067 million and mining tax and royalties of \$170 million.

Source: Newfoundland and Labrador, Department of Finance, Budget 2013, March 26, 2013.

## **Tax Changes**

### **1. Corporate Income Tax**

No changes were announced.

### **2. Personal Income Tax**

No changes were announced.

### **3. Sales Tax**

No changes were announced.

### **4. Sin Taxes**

Effective at 12:01 a.m. on March 27, 2013, the provincial tobacco tax increased from 19 cents to 20.5 cents per cigarette. Tobacco wholesalers with tax-paid inventory and retailers were required to take inventory from that time and were also required

to file a declaration thereof, and the additional tax payable to reflect the tax increase, with their March 2013 return. The inventory form was to be filed and submitted with the additional tax no later than April 23, 2013.

#### **5. Resource-Related Matters**

No changes were announced.

#### **6. Real Estate Taxes**

No changes were announced.

#### **7. Pensions**

No changes were announced.

#### **8. Other**

No changes were announced.

### **YUKON**

#### **Tax Highlights**

- No new taxes or tax increases

#### **Tax Changes**

##### **1. Corporate Income Tax**

No changes were announced.

##### **2. Personal Income Tax**

No changes were announced.

##### **3. Sales Tax**

No changes were announced.

##### **4. Sin Taxes**

No changes were announced.

##### **5. Resource-Related Matters**

No changes were announced.

##### **6. Real Estate Taxes**

No changes were announced.

**TABLE 15 Projected Revenues and Expenditures, Yukon, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	1,156
Total expenditures . . . . .	(1,083)
Reserve . . . . .	nil
Surplus (deficit) . . . . .	<u>73</u>
Revenue sources	
Personal income tax . . . . .	71
Corporate income tax . . . . .	21
Sales tax . . . . .	na
Other taxes . . . . .	<u>31</u>
Total tax revenue . . . . .	123
Federal transfers . . . . .	861
Other revenues . . . . .	<u>172</u>
Total revenues . . . . .	<u>1,156</u>
Expenditures	
Education . . . . .	188
Health . . . . .	348
Debt servicing . . . . .	18
Other expenditures . . . . .	<u>529</u>
Total expenditures . . . . .	<u>1,083</u>

Notes: Expenditure figures by function for education and health were shown on a consolidated basis. Non-consolidated reporting was used for other figures in order to reflect the announced surplus figure; the consolidated surplus was reported as \$83 million. The debt-servicing figure was shown in non-consolidated summaries as expenditures on loan programs.

The Yukon government signed a devolution agreement with the federal government in 2003 to assume land and resource management responsibilities. Amendments to the resource revenue-sharing arrangement in 2012 ensured that more resource revenue generated in the Yukon would be available for use in the territory.

Source: Yukon, Department of Finance, Budget 2013-2014, March 21, 2013.

## **7. Pensions**

No changes were announced.

## **8. Other**

No changes were announced.

## **NORTHWEST TERRITORIES**

### **Tax Highlights**

- No new taxes or tax increases

**TABLE 16 Projected Revenues and Expenditures, Northwest Territories,  
Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	1,609
Total expenditures . . . . .	(1,467)
Reserve . . . . .	(30)
Surplus (deficit) . . . . .	<u>113</u>
Revenue sources	
Personal income tax . . . . .	98
Corporate income tax . . . . .	88
Sales tax . . . . .	na
Other taxes . . . . .	<u>109</u>
Total tax revenue . . . . .	295
Federal transfers . . . . .	1,222
Other revenues . . . . .	<u>92</u>
Total revenues . . . . .	<u>1,609</u>
Expenditures	
Education . . . . .	300
Health . . . . .	364
Debt servicing . . . . .	4
Other expenditures . . . . .	<u>799</u>
Total expenditures . . . . .	<u>1,467</u>

Notes: Differences are due to rounding. Figures showed health and education expenditure by department; the education figure was a composite for the Department of Education, Culture and Employment. The Northwest Territories is expected to receive an estimated \$60 million per year in 2014-15 in resource revenues under devolution. The Northwest Territories and the federal government signed a devolution agreement on March 11, 2013.

Source: Northwest Territories, Department of Finance, Budget 2013-2014, February 7, 2013.

## Tax Changes

### 1. Corporate Income Tax

No changes were announced.

### 2. Personal Income Tax

No changes were announced.

### 3. Sales Tax

No changes were announced.

### 4. Sin Taxes

No changes were announced.



**5. Resource-Related Matters**

No changes were announced.

**6. Real Estate Taxes**

Effective April 1, 2013, the property tax mill rate was adjusted for inflation.

**7. Pensions**

No changes were announced.

**8. Other**

No changes were announced.

**NUNAVUT****Tax Highlights**

- No new taxes or tax increases

**Tax Changes****1. Corporate Income Tax**

No changes were announced.

**2. Personal Income Tax**

No changes were announced.

**3. Sales Tax**

No changes were announced.

**4. Sin Taxes**

No changes were announced.

**5. Resource-Related Matters**

No changes were announced.

**6. Real Estate Taxes**

No changes were announced.

**7. Pensions**

No changes were announced.

**8. Other**

No changes were announced.

**TABLE 17 Projected Revenues and Expenditures, Nunavut, Fiscal Year 2013-14**

	<i>millions of dollars</i>
Total revenues . . . . .	1,564
Total expenditures . . . . .	(1,478)
Supplementary requirements, revolving funds, and contingencies . . . . .	(64)
Surplus (deficit) . . . . .	<u>22</u>
Revenue sources	
Personal income tax . . . . .	25
Corporate income tax . . . . .	10
Sales tax . . . . .	na
Other taxes . . . . .	<u>49</u>
Total tax revenue . . . . .	84
Federal transfers . . . . .	1,430
Other revenues . . . . .	50
Total revenues . . . . .	<u>1,564</u>
Expenditures	
Education . . . . .	200
Health . . . . .	305
Debt servicing . . . . .	5
Other expenditures . . . . .	<u>968</u>
Total expenditures . . . . .	<u>1,478</u>

Notes: Main estimates were apparently prepared on a non-consolidated basis. Surplus was shown on a main estimates basis. Expenditure figures appeared to be shown by department. The debt-servicing expenditure was reported on a non-consolidated basis; estimated consolidated interest expense based on 2012-13 data (including the two territorial corporations) was approximately 0.5 percent of total revenue. Nunavut has yet to negotiate a devolution agreement with the federal government. The territory was officially established in 1999, and was formerly part of the Northwest Territories.

Source: Nunavut, Department of Finance, Budget 2013-2014, February 27, 2013.