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Finances of the Nation

Vivien Morgan*

SURVEY OF PROVINCIAL AND TERRITORIAL BUDGETS, 2014-15

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, the 2014 Canadian Tax Journal introduced a new "Finances of the Nation" feature, which will present a series of articles on topical matters related to taxation and public expenditures in Canada. The first article, published in the third issue for 2014, provided a survey of the 2013-14 provincial and territorial budgets; this article provides a survey of the 2014-15 provincial and territorial budgets.*

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

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INTRODUCTION

This article has two distinct parts. First, it sets out tables and charts that show aggregate figures related to projected 2014-15 budget revenues and expenditures for the various provinces and territories, as well as tables that show corporate income tax rates and personal brackets and rates for each jurisdiction. Second, the article summarizes the projected budget revenues and expenditures and tax changes for each province and territory.

SUMMARY INFORMATION

The provinces and territories brought down their 2014-15 fiscal-year budgets between February and June 2014. A slight majority of provinces had a budget deficit (with expenditures exceeding revenue) in this cycle, but 6 of the 13 jurisdictions forecasted a surplus in the 2014-15 fiscal year based on projected increased economic growth and continued moderate spending restraint. The remaining 7 jurisdictions expected to return to a balanced budget or surplus in two or three years. The precipitous drop in the price of oil at the end of calendar 2014 is expected to affect budget projections. The price drop may bode ill for oil-producing jurisdictions such as Alberta and Newfoundland and Labrador, but may be good news for high oil-consuming provinces such as Ontario and Quebec. Overall, the budgets as delivered 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 some corporate income tax rates, and some sin tax increases. 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.[1] However, the placement of the various jurisdictions' figures in a single table illustrates trends and distinctions intended to stimulate discussion. The provinces and territories are listed in descending order based on each jurisdiction's original budget projection of its expected tax revenue. The figures shown have been aggregated from each province's and territory's budget summary presented in the second part of this article.

Figure 1 presents the same information, other than expenditures and adjustments, with surpluses and deficits at the right. Each revenue source is shown as a percentage of total revenues, and the surplus or deficit is shown as a percentage of total expenditures. Figure 2 shows projected tax revenues by source, as a percentage of total revenues. Figure 3 shows projected expenditures by spending category, as a percentage of total expenditures.

1 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).

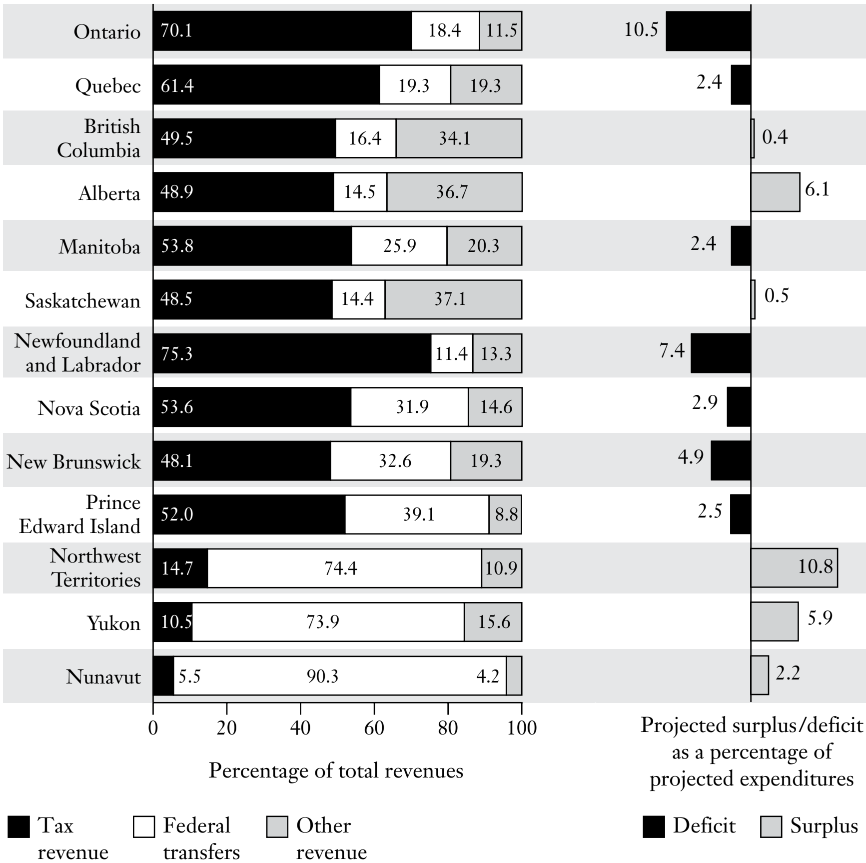
TABLE 1 Provincial and Territorial Revenues and Expenditures, Budget Projections, Fiscal Year 2014-15

Province/territory	Tax revenue	Federal transfers	Other sources of revenue[a]	Total revenues	Total expenditures	Adjustments[b]	Surplus/ (deficit)
				millions of dollars			
Ontario	83,365	21,882	13,624	118,871	(130,376)	(1,000)	(12,505)
Quebec	59,208	18,607	18,582	96,397	(97,446)	(1,301)	(2,350)
British Columbia	22,157	7,363	15,280	44,800	(44,416)	(200)	184
Alberta	21,050	6,234	15,792	43,076	(40,432)		2,644
Manitoba	7,864	3,793	2,973	14,630	(15,137)	150	(357)
Saskatchewan	6,820	2,026	5,227	14,073	(14,002)		71
Newfoundland and Labrador	5,490[c]	830	971	7,291	(7,829)		(538)
Nova Scotia	5,124	3,047	1,395	9,566	(9,936)	91	(279)
New Brunswick	3,865	2,618	1,553	8,036	(8,427)		(391)
Prince Edward Island	841	633	143	1,617	(1,657)		(40)
Northwest Territories	271	1,374	201	1,846	(1,613)	(33)	200
Yukon	128	898	189	1,215	(1,142)		72
Nunavut	90	1,481	69	1,640	(1,533)	(71)	36

[a] Other sources of revenue included resource royalties; premiums, fees, and licences; commercial Crown corporation transfers; and investment income.
[b] Adjustments included consolidation numbers (in some cases) and transfers to and from reserve funds.
[c] Newfoundland and Labrador's tax revenue included offshore royalties of $2,398 million and mining tax revenue and royalties of $101 million.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21. See below for further details. Differences are due to rounding.

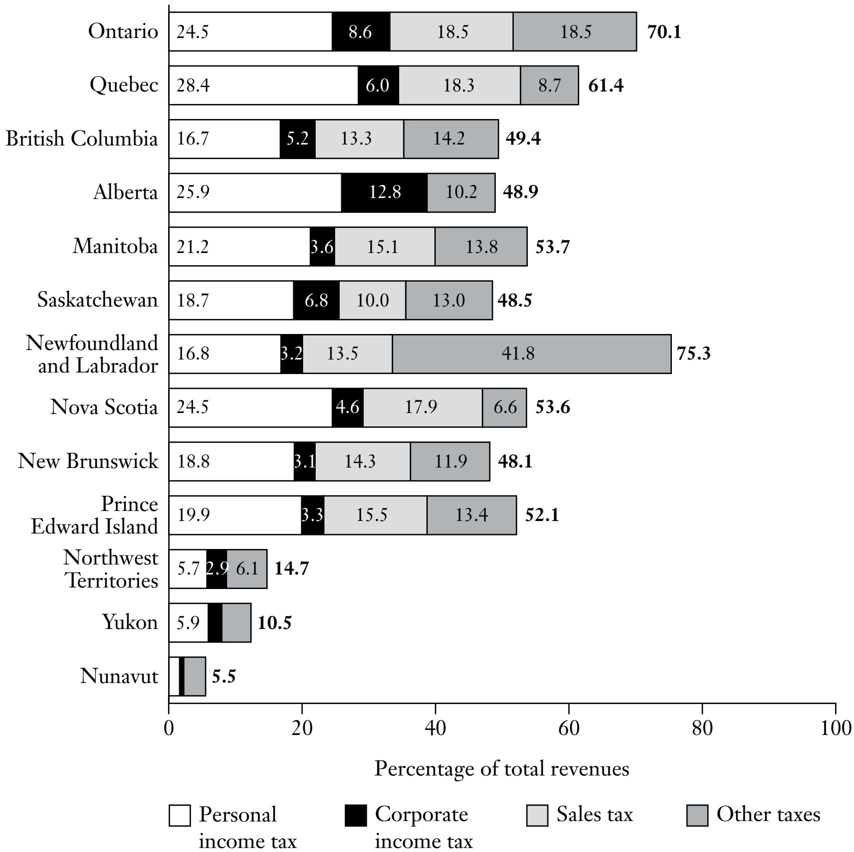
FIGURE 1 Projected Provincial and Territorial Revenues by Source, as a Percentage of Total Revenues, and Projected Surplus/Deficit as a Percentage of Projected Expenditures, Fiscal Year 2014-15



Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21, and the data summary in table 1.

A slight majority of budgets projected a deficit and few major expenditure reductions. The 2014-15 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 the cyclical nature of revenue from oil and other natural resources were the most visible examples of economic conditions in many provinces and territories that decreased revenue and hampered the effort to achieve balanced budgets. The year-end drop in the global oil price will no doubt strain the budget projections of oil-producing jurisdictions but, combined with the related weakening of the Canadian dollar, may

FIGURE 2 Projected Provincial and Territorial Tax Revenues by Source as a Percentage of Total Revenues, Fiscal Year 2014-15

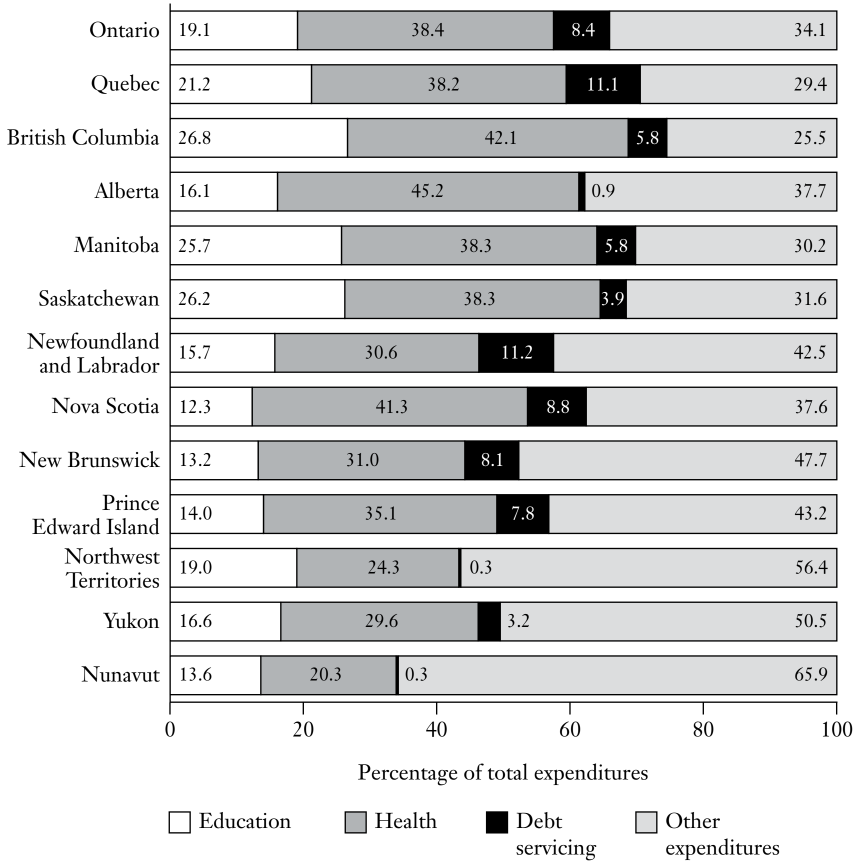


Source: Based on provincial and territorial budget documents cited in the source notes for tables 5-13 and 15-21.

prove advantageous for high oil-consuming jurisdictions. The budget expenditures reflect an attempt by the respective governments to accommodate changing economic conditions while maintaining a 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 almost 40 percent of total expenditures, as shown in tables 1 and 2. For example, for the 2014-15 fiscal year, Ontario's projected health-care and long-term care expenditures were $50,055 million or 38.39 percent of total expenditures of $130,376 million. In contrast, for the territories, projected spending on health care

FIGURE 3 Projected Provincial and Territorial Expenditures by Spending Category as a Percentage of Total Expenditures, Fiscal Year 2014-15



Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21.

in 2014-15 accounted for 20.29 percent of total expenditures for Nunavut, 24.30 percent for the Northwest Territories, and 29.60 percent for Yukon. However, on a per capita basis, the results appeared to reverse: $3,681 per capita in Ontario (in 2013-14, $3,609) versus $8,615 to $9,239 per capita in the territories (in 2013-14, $8,367 to $9,482).[2]

Table 3 sets out the provincial and territorial surpluses and deficits since the budget estimates for 2013-14.[3] The table also shows various figures set out in the 2014-15

2 See Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2013-14," Finances of the Nation feature (2013) 62:3 *Canadian Tax Journal* 771-812, at 774.

3 See ibid., at 773, table 1.

TABLE 2 Provincial and Territorial Health-Care Expenditures, Budget Projections, Fiscal Years 2013-14 and 2014-15

	Health-care expenditures		Total expenditures		Percentage of total expenditures	
Province/territory	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15
	millions of dollars					
Ontario	48,855	50,055	127,588	130,376	38.29	38.39
Quebec	31,258	37,264	72,392	97,446	43.18	38.24[a]
British Columbia	18,426	18,683	43,936	44,416	41.94	42.06
Alberta	17,461	18,294	38,006	40,432	45.94	45.24
Manitoba	5,660	5,791	14,847	15,137	38.12	38.26
Saskatchewan	4,799	5,356	11,543	14,002	41.57	38.25[b]
Nova Scotia	3,911	4,105	9,524	9,936	41.06	41.31
New Brunswick	2,586	2,613	8,473	8,427	30.52	31.01
Newfoundland and Labrador	2,301	2,399	7,571	7,829	30.39	30.64
Prince Edward Island	566	581	1,625	1,657	34.83	35.06
Northwest Territories	364	392	1,467	1,613	24.81	24.30
Yukon	348	338	1,083	1,142	32.13	29.60
Nunavut	305	311	1,478	1,533	20.64	20.29

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

[a] Quebec accounting was changed after the 2013-14 budget; amounts for the 2014-15 fiscal year were reported on a consolidated basis, showing general fund plus consolidated entities. Using 2013-14 accounting, Quebec's projected health-care expenditure for 2014-15 would be $32,346 million.

[b] The figure for Saskatchewan reflects a change in accounting: the 2014-15 budget was the province's first prepared on a summary basis and includes government core operations, other government service organizations, and government business enterprises.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21. See those tables for further details.

budget: the revised surplus or deficit for the 2013-14 fiscal period, the projected surplus or deficit for the 2014-15 fiscal period, and any planned or targeted surpluses or deficits for the ensuing three or four fiscal years. Of those jurisdictions that projected beyond the 2014-15 fiscal year, a majority planned for a surplus in the following three years.

Based on budget projections for each province and territory, projected total income tax revenue in the original budgets of all provinces and territories aggregated $86.5 billion from personal income tax and $26.5 billion from corporate income tax—for total revenue of $113.0 billion from income tax—and projected sales tax revenue aggregated $53.3 billion. Thus, the provinces and territories expected to collect more tax revenue from personal income tax than from corporate income tax and sales tax combined. In comparison, the 2014-15 federal budget projected $137.8 billion of revenue from personal income tax, $37.0 billion from corporate

TABLE 3 Revised, Projected, and Planned Provincial and Territorial Surpluses and Deficits, 2013-14 and Onward

	2013-14		2014-15	2015-16	2016-17	2017-18
Province/territory	2013-14 budget	Revised	2014-15 budget	2015-16 plan	2016-17 plan	2017-18 plan
British Columbia	153	175	184	206	451	
Alberta	(451)	1,393	2,644	2,024	3,232	
Saskatchewan[a]	32	591	71			
Manitoba	(518)	(432)	(357)	(218)	3,900	262
Ontario	(11,743)	(11,300)	(12,505)	(8,900)[b]	(5,300)[b]	1,200
Quebec[c]	1,039	(3,100)	(2,350)	0	0	600
New Brunswick	(479)	(564)	(391)	(262)	(129)	119
Nova Scotia	16	(562)	(279)	(166)	(121)	14
Prince Edward Island	(59)	(52)	(40)	0	9	
Newfoundland and Labrador	(564)	(349)	(538)	29	32	
Northwest Territories	113	130	200	175	112	93
Yukon	73	32	72	72	69	47
Nunavut[d]	22	(106)	36			

[a] The 2014-15 Saskatchewan budget was its first on a summary basis, which includes government core operations, other government service organizations, and government business enterprises. The 2013 budget surplus was restated as $150 million. No four-year financial plan was presented for the summary budget.
[b] Ontario's 2014-15 budget shows rounded figures.
[c] Quebec's accounting for the 2014-15 fiscal year was changed, and amounts were reported on a consolidated basis, showing general fund plus consolidated entities. An $800 million surplus is planned for 2018-19.
[d] Nunavut is moving toward the creation of a three-year plan.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21.

income tax (plus $5.7 billion from non-resident income tax), and $31.3 billion from sales tax.[4]

Table 4 shows the corporate income tax rates in the provinces and territories for 2014.

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)—and Nova Scotia (from 2010) continued its higher rate for taxpayers in its top bracket. Surtaxes may be applied in addition to the regular provincial or territorial personal income tax. All federal, provincial, and territorial marginal personal income tax rates on ordinary income and interest are shown in figure 4 as a function of taxable income. Table 5 shows the provincial and territorial personal income tax rates numerically.

4 Canada, Department of Finance, 2014 Budget, Budget Plan, February 11, 2014, at 270, table 4.2.5.

TABLE 4 Provincial and Territorial Corporate Income Tax Rates, 2014

Province/territory	General rate	M & P rate	Small business rate	Small business limit[a]
		percent		*dollars*
British Columbia	11.0	11.0	2.5	500,000
Alberta	10.0	10.0	3.0	500,000
Saskatchewan	12.0	10.0	2.0	500,000
Manitoba	12.0	12.0	0.0	425,000[b]
Ontario	11.5	10.0[c]	4.5	500,000
Quebec	11.9	11.9	8.0 or 6.85[d]	500,000
New Brunswick	12.0	12.0	4.5	500,000
Nova Scotia	16.0	16.0	3.0	350,000[e]
Prince Edward Island	16.0	16.0	4.5	500,000
Newfoundland and Labrador	14.0	5.0	3.5	500,000
Northwest Territories	11.5	11.5	4.0	500,000
Yukon	15.0	2.5	3.5 or 2.5[f]	500,000
Nunavut	12.0	12.0	4.0	500,000

M & P = manufacturing and processing.

[a] The threshold is reduced straightline if the Canadian-controlled private corporation (CCPC) and associated corporations had taxable capital between $10 million and $15 million in the preceding year. Ontario adopted the clawback effective May 1, 2014.

[b] Manitoba's small business limit of $425,000 was effective after 2013 as announced in its 2013-14 budget.

[c] In Ontario, the M & P rate applies to income from manufacturing, processing, farming, mining, logging, and fishing operations carried on in Canada and allocated to the province.

[d] In Quebec, a 6.85 percent rate applies to active business income up to $500,000 for a CCPC from June 5, 2014 if at least 50 percent of the CCPC's activities are attributable to M & P (based on assets and labour): the rates increase straightline if the attributable activities are greater than 25 percent and less than 50 percent.

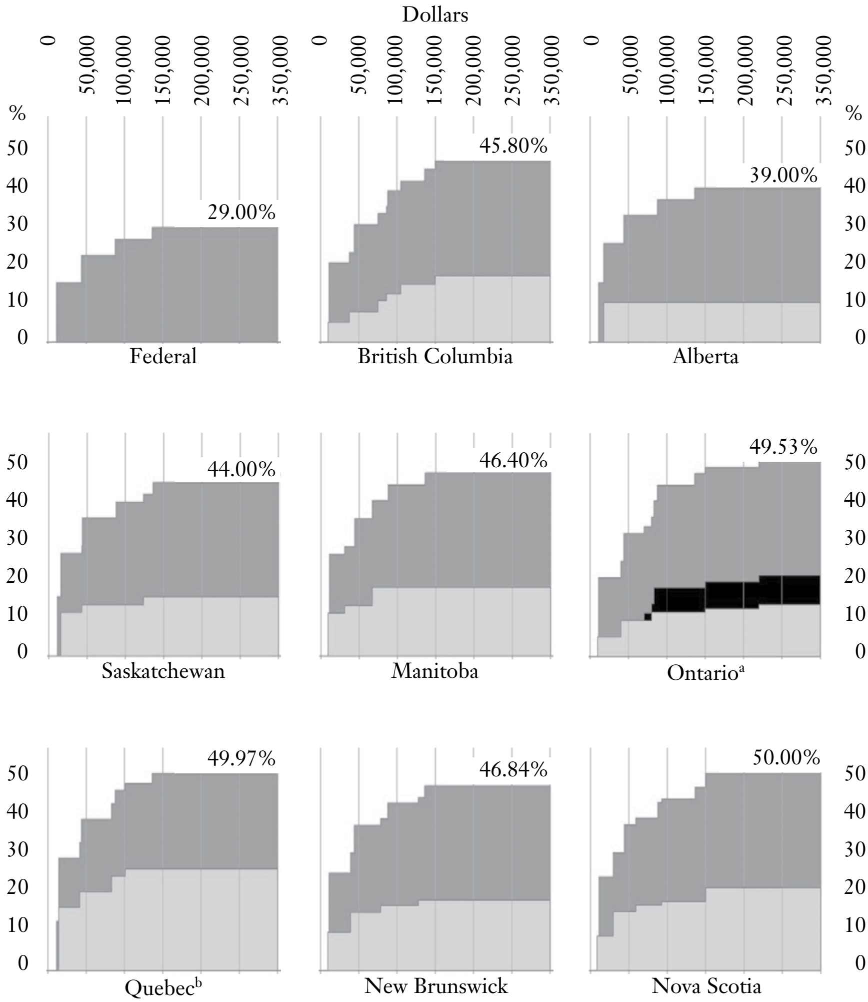
[e] On January 1, 2014, Nova Scotia's small business rate decreased to 3 percent and the small business threshold decreased to $350,000 from $400,000, as announced in the 2013-14 budget.

[f] In Yukon, the 2.5 percent rate applies to M & P income of a CCPC up to the small business limit.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21.

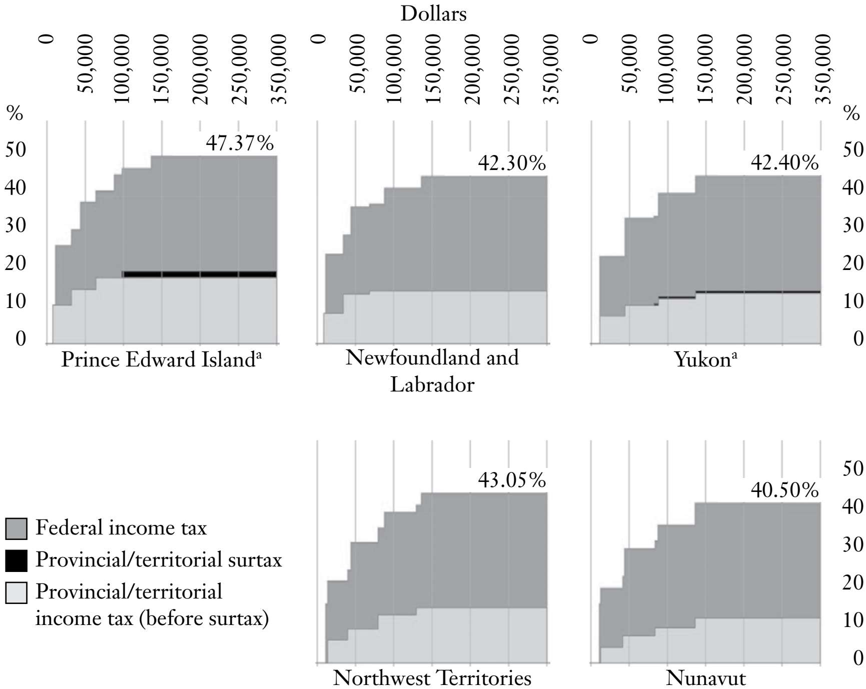
In 2013, voters in a BC referendum voted to repeal the province's three-year-old harmonized sales tax (HST) regime and return to the goods and services tax (GST)/ provincial sales tax (PST) system. In 2014, British Columbia, Saskatchewan, and Manitoba imposed a PST. On April 1, 2013, Prince Edward Island joined Ontario, Newfoundland and Labrador, Nova Scotia, and New Brunswick as an HST-participating province by harmonizing its sales tax. 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. Table 6 summarizes the sales tax rates across the provinces and territories.

FIGURE 4 Personal Income Tax Marginal Rates Applicable to Taxable Income, 2014



(Figure 4 is concluded on the next page.)

FIGURE 4 Concluded



[a] Surtax calculations assume that the only credit claimed reflects applicable basic personal amounts.

[b] 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.

TABLE 5 Provincial and Territorial Personal Income Tax Brackets and Rates, 2014

Province/territory	Tax bracket	Rate	Surtax (percentage of regular tax) and top combined rate
	dollars	*percent*	
British Columbia	0 to 37,606	5.06	
	37,607 to 75,213	7.70	
	75,214 to 86,354	10.50	
	86,355 to 104,858	12.29	
	104,859 to 150,000	14.70	
	over 150,000[a]	16.80	Top combined rate of 45.80%
Alberta	All income	10.00	Top combined rate of 39.00%
Saskatchewan.	0 to 43,292	11.00	
	43,293 to 123,692	13.00	
	over 123,692	15.00	Top combined rate of 44.00%
Manitoba	0 to 31,000[b]	10.80	
	31,001 to 67,000[b]	12.75	
	over 67,000[b]	17.40	Top combined rate of 46.40%
Ontario.	0 to 40,120	5.05	
	40,121 to 80,242	9.15	Surtax equal to 20% of basic personal tax greater than $4,331 (starting at taxable income of $70,648)
	80,243 to 150,000[b]	11.16	Additional surtax equal to 36% of basic personal tax greater than $5,543 (starting at taxable income of $83,236)
	150,001 to 220,000[b]	12.16	
	over 220,000[b]	13.16	Top combined rate of 49.53%
Quebec.	0 to 41,495	16.00	
	41,496 to 82,985	20.00	
	82,986 to 100,970	24.00	
	over 100,970	25.75	Top combined rate of 49.97%
New Brunswick	0 to 39,305	9.68	
	39,306 to 78,609	14.82	
	78,610 to 127,802	16.52	
	over 127,802	17.84	Top combined rate of 46.84%
Nova Scotia	0 to 29,590[b]	8.79	
	29,591 to 59,180[b]	14.95	
	59,181 to 93,000[b]	16.67	
	93,001 to 150,000[b]	17.50	
	over 150,000[b]	21.00	Top combined rate of 50.00%
Prince Edward Island . . .	0 to 31,984[b]	9.80	
	31,985 to 63,969[b]	13.80	Surtax equal to 10% of basic provincial tax in excess of $12,500, starting at taxable income of $98,143
	over 63,969[b]	16.70	Top combined rate of 47.37%

(Table 5 is concluded on the next page.)

TABLE 5 Concluded

Province/territory	Tax bracket	Rate	Surtax (percentage of regular tax) and top combined rate
	dollars	*percent*	
Newfoundland and Labrador	0 to 34,254	7.70	
	34,255 to 68,508	12.50	
	over 68,508	13.30	Top combined rate of 42.30%
Northwest Territories	0 to 39,808	5.90	
	39,809 to 79,618	8.60	
	79,619 to 129,441	12.20	
	over 129,441	14.05	Top combined rate of 43.05%
Yukon	0 to 43,953	7.04	
	43,954 to 87,907	9.68	Surtax equal to 5% of territorial tax greater than $6,000 (starting at taxable income of $82,071)
	87,908 to 136,270	11.44	
	over 136,270	12.76	Top combined rate of 42.40%
Nunavut	0 to 41,909	4.00	
	41,910 to 83,818	7.00	
	83,819 to 136,270	9.00	
	over 136,270	11.50	Top combined rate of 40.50%

[a] Effective for 2014 and 2015.
[b] Not indexed for inflation.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21.

TABLE 6 Provincial and Territorial Sales Tax Rates, Percent, 2014

Province/territory	GST or federal portion of HST	Provincial portion of HST	PST and QST	Combined[a]
British Columbia	5		7	12
Alberta	5			5
Saskatchewan	5		5	10
Manitoba	5		8	13
Ontario	5	8		13
Quebec	5		9.975	14.975
New Brunswick	5	8		13
Nova Scotia[b]	5	10		15
Prince Edward Island	5	9		14
Newfoundland and Labrador	5	8		13
Northwest Territories	5			5
Yukon	5			5
Nunavut	5			5

GST = goods and services tax; HST = harmonized sales tax; PST = provincial sales tax; QST = Quebec sales tax.

[a] The rates shown do not yield comparable tax burdens for all jurisdictions. For example, GST and HST allow input tax credits for underlying taxes, eliminate sales tax on exports, and also cover a wider range of goods and services than PST.

[b] Proposed rate reductions for 2014 and 2015 were cancelled in the 2014 budget.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21.

PROVINCIAL AND TERRITORIAL BUDGETS BY JURISDICTION

Table 7 shows the various dates for the original 2014-15 budgets in each province and territory, the name and title of the person who announced the budget, and the estimated surplus or deficit. Announced updates are shown if there was a shift from a deficit to a surplus or vice versa. Other economic updates (not shown) were also announced.

Set out below for each provincial and territorial jurisdiction are selected fiscal figures, highlights of tax changes, and a summary of tax changes. The figures for each jurisdiction are difficult to compare across jurisdictions. Where relevant, notes that refer to differences in accounting and/or presentation are appended to the tables; however, it is beyond the scope of this article to analyze the differing accounting 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, if any. 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:*** 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, general anti-avoidance rule (GAAR) and other 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).

British Columbia

Tax Highlights

- Mining flowthrough share tax credit extended
- Scientific research and experimental development (SR & ED) tax credit extended
- Income tax legislation for the liquefied natural gas (LNG) industry set to be introduced in late 2014
- Tobacco tax increased

TABLE 7 Provincial and Territorial Surplus/(Deficit) Projections, Fiscal Year 2014-15

Province/territory	Budget date	Finance minister	Projected surplus/ (deficit)
			millions of dollars
British Columbia	February 18, 2014	Michael de Jong	184
Alberta	March 6, 2014	Doug Horner	2,644
Saskatchewan	March 19, 2014	Ken Krawetz	71
Manitoba	March 6, 2014	Jennifer Howard	(357)
Ontario	May 1, 2014	Charles Sousa	(12,505)
Quebec	June 4, 2014	Carlos Leitão[a]	(2,350)
New Brunswick	February 4, 2014	Blain Higgs	(391)
Nova Scotia	April 3, 2014	Diana Whalen	(279)
Prince Edward Island	April 8, 2014	Wesley Sheridan[b]	(40)
Newfoundland and Labrador	March 27, 2014	Charlene Johnson	(538)
Northwest Territories	February 6, 2014	J. Michael Miltenberger	200
Yukon	March 25, 2014	Darrell Pasloski[c]	72
Nunavut	May 26, 2014	Keith Peterson	36

[a] Minister of finance and the economy.
[b] Minister of finance, energy, and municipal affairs.
[c] Premier and finance minister.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 8-13 and 15-21.

Tax Changes

1. Corporate Income Tax

The federal preferential rate for a portion of a credit union's income is phased out over five years beginning in 2013; the provincial preferential rate in British Columbia is to be phased out over five years beginning in 2016.

The film and television regulation for an eligible corporation that produces an eligible film or video production in British Columbia with a qualifying level of Canadian content was amended to include the capital regional district in the distant location tax credit, for production whose principal photography begins after February 18, 2014. The extension applies to both the production services tax credit and the film incentive BC tax credit.

The SR & ED tax credit was extended for an additional three years from September 1, 2014 for qualifying corporations carrying on SR & ED in British Columbia before September 1, 2017.

2. Personal Income Tax

The 2014 budget confirmed the BC early childhood tax benefit, effective April 1, 2015, first introduced in the June 2013 update.[5]

5 See British Columbia, Ministry of Finance, June Budget Update 2013-14, June 27, 2013; and Morgan, supra note 2, at 784, for a brief description of the tax benefit.

TABLE 8 Projected Revenues and Expenditures, British Columbia, Fiscal Year 2014-15

	millions of dollars
Total revenues	44,800
Total expenditures	(44,416)
Reserve	(200)
Surplus/(deficit)	184
Revenue sources	
Personal income tax	7,491
Corporate income tax	2,348
Sales tax	5,964
Other taxes	6,354
Total tax revenue	22,157
Federal transfers	7,363
Other revenues	15,280
Total revenues	44,800
Expenditures	
Education	11,899
Health	18,683
Debt servicing	2,578
Other expenditures	11,306
Total expenditures	44,416

Notes: Expenditure figures were estimated by function. Revenue included commercial Crown corporation net income.

Source: British Columbia, Ministry of Finance, Budget 2014-15, February 18, 2014.

Effective after 2014, medical services plan premiums were increased by about 4 percent—$2.75 per month to $72 for a single person, $5 per month to $130.50 for a two-person family, and $5.50 per month to $144 for a family of three or more persons. The premium assistance is enhanced to offset the increase; the government committed to provide further details later in 2014.

3. Sales Tax

After February 18, 2014, the exemption for tangible personal property brought, sent, or delivered into British Columbia by a new resident was expanded to include such property that entered the province within one year of the individual's becoming a BC resident, if the property was owned at least 30 days before the assumption of residence and for use solely for a non-business purpose.

Effective after February 18, 2014, if a provider of accommodation only sells packages of accommodation, meals, and services for a single price, the purchase price of the accommodation is the lesser of 15 percent of the total value of the consideration accepted by the provider and $100 per day.

Effective after March 2013, the multijurisdictional vehicle exit tax is payable only when a vehicle previously under a licence subject to a prorating agreement is licensed solely for use within British Columbia. A refund will be paid if the exit tax was paid by mistake other than if the vehicle was licensed for use solely within the province.

Several technical amendments were made for clarity and certainty in respect of, inter alia, various exemptions and refunds; taxation of leases; the original purchase price of certain passenger vehicles subject to the 1 to 3 percent surtax; the taxation of vehicles brought, sent, or received in British Columbia and registered under vehicle registration legislation; the purchase price of software purchased with qualifying educational programs for a single price; tax payment agreements; the taxation of tangible personal property used to improve real property; and various administrative matters. Technical amendments also expanded voluntary registration to include out-of-province businesses.

4. *Sin Taxes*

Effective after March 2014, the tax rate on cigarettes increased from $44.60 to $47.80 per carton (200 cigarettes) and from 22.3 cents per gram to 23.9 cents per gram on fine-cut tobacco. There was no change to the rate applicable to cigars. A retail dealer and a wholesale dealer must take an inventory of unsold tobacco products (other than black stock and cigars) that the dealer held in British Columbia immediately after midnight on March 31, 2014. A return must be completed and submitted to report the inventory, and payment must be made in excess of security paid when the tobacco was purchased. Return and payment must be received by the BC Ministry of Finance no later than April 30, 2014.

5. *Resource-Related Matters*

As announced on January 27, 2014, effective after 2013 the provincial non-refundable mining flowthrough share tax credit for an individual was extended to the end of 2014.

The government announced its intention to introduce later in 2014 an income tax applicable to the liquefied natural gas (LNG) industry in British Columbia. The tax is intended to comprise a tier 1 rate of 1.5 percent and a tier 2 rate of up to 7 percent (the final rate to be determined) on income from the liquefaction of natural gas at LNG facilities in the province. Tier 1 tax is on net proceeds after the start of commercial production and is deductible from tier 2 tax. Tier 2 net income is reduced by the capital investment account, which is based on costs associated with the construction of an LNG facility. That facility may include gas purification and liquefaction systems plus storage tanks and marine loading systems, along with support functions for the liquefaction process such as control rooms, material and equipment warehousing, maintenance shops, and infrastructure facilities. Income includes income from sales of LNG, rents and fees payable for an LNG facility's use, and fees for processing natural gas at an LNG facility.

Under the Carbon Tax Act and the Motor Fuel Tax Act, the director may appoint a vendor as a collector retroactively for up to four years to a date on or after the first day of the month when the vendor first sold fuel in British Columbia after its manufacture or importation; this provision allows a vendor to be retroactively in compliance with collector obligations, which require an appointment. Penalties that may apply to a vendor who sells prior to appointment are clarified in order to recognize that an appointment may be retroactive; this penalty adjustment is effective on royal assent. The assessment of interest is also clarified in the case of a retroactive appointment, particularly for situations in which there is both a refund claim and an amount owing for the same period before a notice of assessment is issued.

6. Real Estate Taxes

For the 2014 taxation year, the threshold for the phaseout of the home owner grant, which reduces property tax payable on a principal residence, is decreased from $1,295,000 to $1,100,000. The grant is reduced by $5 for every $1,000 of assessed value exceeding the threshold.

Effective for registrations after February 18, 2014, the fair market value (FMV) threshold for eligible residential property under the first-time home buyers' program increased from $425,000 to $475,000. The partial exemption applied to homes valued between $475,000 and $500,000. The program provides for a reduction in the property transfer tax of up to $7,500 on the purchase of a first home.

Provincial residential school property tax rates continued to increase by the prior year's provincial inflation rate, which would be set when revised assessment roll data became available in the spring of 2014.

A single province-wide school tax rate for each non-residential property class (except for industrial property classes) was intended to increase by inflation plus new construction. The rate would be set when revised assessment roll data became available in the spring. The (major and light) industry class tax rates continued to be the same as the business class tax rate.

For 2014, the single province-wide rural area residential property tax rate increased by the prior year's provincial inflation rate. Non-residential rates increased by inflation plus new construction and would be set when revised assessment roll data became available in the spring.

Property tax can be deferred by an eligible homeowner until the home is sold, is transferred to a new owner, or becomes part of an estate, if he or she meets a minimum equity requirement. Effective on royal assent, it was announced that deferment may continue when the property becomes subject to an easement, statutory right of way, or similar interest.

The tax rate cap on designated port property and new improvements was eliminated, effective on royal assent. The improvements can be added to an assessment roll after 2018, and provision for the compensation to municipalities was also extended.

Effective on royal assent starting in the 2014 taxation year, the University Act was amended to confirm that university property leased to an affiliated college is exempt from property tax so long as it is held for college purposes.

Effective starting in the 2014 taxation year, the Regent College Act was amended to exempt from property tax any property that was occupied and used by the college for educational purposes.

7. Pensions

No changes were announced.

8. Other

No changes were announced.

ALBERTA

Tax Highlights

- No corporate or personal income tax rate increases
- No new taxes
- Education property tax rate decreased by 4.5 percent
- Qualifying environmental trusts (QETs) to accumulate funds for site reclamation

Tax Changes

1. Corporate Income Tax

No changes were announced.

2. Personal Income Tax

Starting in 2014, the Alberta government committed to adjust to 3.1 percent the dividend tax credit on dividends paid out of income taxed at the small business rate to prevent an unintended tax increase arising from the federal reduction of the gross-up from 25 percent to 18 percent on such dividends.

In 2014, personal income tax credits increased by 1.1 percent. Basic personal and spousal amounts increased to $17,787 each. The family employment tax credit amounts were indexed for inflation: as of July 2014, payments increased to a maximum of $736, $1,405, $1,806, and $1,940 for one, two, three, and four or more children, respectively, and the income level for phaseout rose to $35,916.

3. Sales Tax

No changes were announced.

4. Sin Taxes

No changes were announced.

5. Resource-Related Matters

Parallelling the federal QET rules, after 2013 a QET in Alberta must pay tax at the corporate rate on its annual income. The corporate beneficiary receives a refundable tax credit for the Alberta tax paid by the QET.

TABLE 9 Projected Revenues and Expenditures, Alberta, Fiscal Year 2014-15

	millions of dollars
Total revenues	43,076
Total expenditures	(40,432)
Surplus/(deficit)	2,644
Revenue sources	
Personal income tax	11,153
Corporate income tax	5,495
Sales tax	na
Other taxes	4,402
Total tax revenue	21,050
Federal transfers	6,234
Other revenues	15,792
Total revenues	43,076
Expenditures	
Education	6,522
Health	18,294
Debt servicing	360
Other expenditures	15,256
Total expenditures	40,432

Notes: The figures showed only net operational revenues and expenditures, including net income of government business enterprises. 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 revenues of $44,354 million to arrive at operational revenues of $43,076 million in the 2014 budget. However, the breakdown of revenue sources is calculated before those revenue reductions. Expenditure figures appeared to be organized by department. Debt-servicing costs related to general debt only. "Other revenues" included non-renewable resource revenue of $9,209 million estimated in the 2014 budget.

Source: Alberta, Ministry of Treasury Board and Finance, Budget 2014, March 6, 2014.

6. Real Estate Taxes

The mill rates for the education property tax were reduced by 4.5 percent for residential and farmland property to $2.53 (from $2.65) per $1,000 of equalized assessment and for non-residential property to $3.72 (from $3.90) per $1,000 of equalized assessment.

In 1994, Alberta moved to a market value system for property taxation that required annual assessments. In 2000, a mitigation formula was adopted to shelter property owners from increased property taxes in qualifying municipalities. A two-year plan to phase out the mitigation formula for the four most negatively affected municipalities proved unnecessary because of strong growth; the phaseout proceeded ahead of schedule and is now complete.

7. Pensions

No changes were announced.

8. Other

The government continued its reporting of tax expenditures, which began in 2013.

Saskatchewan

Tax Highlights

- No corporate or personal income tax rate increases
- One regulatory levy for oil and natural gas
- Manufacturing centre of excellence established

Tax Changes

1. Corporate Income Tax

A credit union continues to pay the 2 percent small business rate on all its taxable income and continues to be exempt from provincial capital tax on financial institutions. The province has not followed federal changes: starting in 2013, the federal special tax reduction for credit unions on taxable income in excess of the small business income threshold is phased out over five years. The Saskatchewan government announced its intention to amend the relevant provincial legislation to enact a longstanding policy of providing a provincial special income tax reduction for credit unions.

Plans to reduce the general 12 percent corporate rate to 10 percent by 2015, deferred in the 2013 budget,[6] were not mentioned in the 2014 budget.

2. Personal Income Tax

To maintain the current level of provincial tax on non-eligible dividends following the federal decrease in the gross-up factor of non-eligible dividends, the government announced its intention, beginning in 2014, to increase the provincial dividend tax credit to 22.29 percent of the dividend gross-up on non-eligible dividends. Thus, the effective credit on the grossed-up value will be 34.91 percent.

3. Sales Tax

No changes were announced.

4. Sin Taxes

No changes were announced.

5. Resource-Related Matters

The government announced its intention to replace many existing licensing fees for regulatory functions of the oil and natural gas industry such as well licensing, facility licensing, and geophysical permits, effective April 1, 2014. Instead a single levy and

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6 Saskatchewan, Ministry of Finance, Budget 2013-14, Budget Summary, March 20, 2013, at 8.

TABLE 10 Projected Revenues and Expenditures, Saskatchewan, Fiscal Year 2014-15

	millions of dollars
Total revenues	14,073
Total expenditures	(14,002)
Surplus/(deficit)	71
Revenue sources	
Personal income tax	2,633
Corporate income tax	950
Sales tax	1,406
Other taxes	1,831
Total tax revenue	6,820
Federal transfers	2,026
Other revenues	5,227
Total revenues	14,073
Expenditures	
Education	3,675
Health	5,356
Debt servicing	546
Other expenditures	4,425
Total expenditures	14,002

Notes: In its 2014-15 budget, Saskatchewan introduced a summary budget presentation, which includes government core operations, government service organizations (such as ministries, boards of education, and health regions), and government business enterprises (such as Crown corporations). The reported deficit reflected the summary budget 2014-15 figures, but the specific revenue source figures were set out for the core operations. The expense items were detailed in the summary budget 2014-15 figures. "Other revenues" included non-renewable resources revenue of $2,694 million.

Source: Saskatchewan, Ministry of Finance, Budget 2014-2015, March 19, 2014.

a single window of service will apply. The existing regulatory structures recover only about 20 percent of the current costs, compared to BC and Alberta fees that recover 100 percent of their regulatory function costs; the new single levy will recover a projected 90 percent of regulatory costs and allow Saskatchewan to, for example, add new regulatory services and provide faster licensing approvals.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

A manufacturing centre of excellence was established with $500,000 for startup costs to focus on productivity improvement, innovation, and workforce development in the manufacturing sector.

Manitoba

Tax Highlights

- No corporate or personal income tax rate changes
- Several corporate and personal income tax credits extended or enhanced
- Seniors' rebate of school tax introduced

Tax Changes

1. Corporate Income Tax

The manufacturing investment tax credit for a corporation was extended to the end of 2017.

The book publishing tax credit was extended to the end of 2017; it is available to an individual and a corporation.

The government announced its intention to amend the definition of an eligible book for the purposes of the cultural industries printing tax credit, which is available to an eligible individual or corporation, to require that 90 percent of a book was new, previously unpublished material; the ratio of text to pictures in a non-children's book is at least 65 percent; the printer must demonstrate that the book is for sale through an established distributor; and the credit was capped at $30,000 per book title.

The refundable co-op education and apprenticeship tax credit for incorporated and unincorporated employers was extended indefinitely. The credit was significantly enhanced for an employer's taxation years ending after 2014. The maximum credit was raised for each level 1 and level 2 apprentice to $5,000 (from $3,000 and $4,000 within and outside Winnipeg, respectively) and the credit rate for each level 3, 4, and 5 apprentice and for a newly certified journeyperson was increased to 15 percent (from 10 percent). The proof-of-credit certificate for an apprentice and a journeyperson was no longer required.

Effective for eligible shares issued after 2014, the small business venture capital tax credit was enhanced: the credit increased to 45 percent (from 30 percent); an approved corporation's maximum lifetime issue limit was increased to $10 million (from $5 million); the maximum annual tax credit for an investor—individual or corporation—increased to $67,500 from $45,000; the existing equity limit in a company for an investor was increased to less than 35 percent (from less than 10 percent). The maximum investment by an investor in a qualifying corporation remained at $450,000, but the increase in the maximum credit rose to $202,500 (from $135,000).

The odour control tax credit was extended to the end of 2017 for a business that invests in capital property to limit odours from organic waste.

The government announced its intention to amend the rental housing construction tax credit to clarify the affordable unit requirements for the credit's calculation and to clarify the certification process for projects and tenants. An eligible landlord is a resident of Manitoba or has a Manitoba permanent establishment.

Also see "2. Personal Income Tax" below, regarding the community enterprise development tax credit.

TABLE 11 Projected Revenues and Expenditures, Manitoba, Fiscal Year 2014-15

	millions of dollars
Total revenues	14,630
Total expenditures	(15,137)
In-year adjustments/lapse	150
Surplus/(deficit)	(357)
Revenue sources	
Personal income tax	3,102
Corporate income tax	530
Sales tax	2,207
Other taxes	2,025
Total tax revenue	7,864
Federal transfers	3,793
Other revenues	2,973
Total revenues	14,630
Expenditures	
Education	3,895
Health	5,791
Debt servicing	872
Other expenditures	4,578
Total expenditures	15,137

Notes: The summary budget's government reporting entity included core government, Crown organizations, government business entities, and public sector organizations. In-year adjustments/lapse may represent an increase in revenue and/or a decrease in expenditures. (Column may not add because of rounding.)

Source: Manitoba, Department of Finance, Budget 2014, March 6, 2014.

2. Personal Income Tax

In 2014, a rebate of $235 in the school division special levy may be paid to an eligible senior homeowner on a qualifying residential property. The individual (or a spouse or common-law partner) must be at least 65 years old, own a principal residence in Manitoba, and be a Manitoba resident in the property tax year. The calculation of the rebate is based on the school division special levy paid net of other property tax credits. The rebate limit will increase in 2015 and be fully implemented in 2016.

Effective after 2014, the community enterprise development tax credit was enhanced: the credit rate was increased to 45 percent (from 30 percent); the maximum value of shares that an investor can acquire annually was increased to $60,000 (from $30,000); the credit was made refundable; a corporation with a Manitoba permanent establishment that pays at least 25 percent of its payroll to Manitoba residents was made an eligible investor; an approved company's maximum share issue under the program was increased to $3 million (from $1 million); and the credit was extended to 2020. The maximum annual credit was thus increased to $27,000 (from $9,000).

Also see "1. Corporate Income Tax" above.

3. Sales Taxes

No changes were announced.

4. Sin Taxes

No changes were announced.

5. Resource-Related Matters

The non-refundable mineral exploration personal income tax credit was extended to cover flowthrough share agreements entered into before April 2018. There is no maximum eligible investment or maximum annual credit claim for a Manitoba-resident investor.

Effective after 2013, petroleum coke used in Manitoba was made subject to a new emissions tax equal to $10 per tonne of carbon-dioxide-equivalent emissions.

The government announced its intention to move the tax on utility charges for electricity and natural gas, previously in The Retail Sales Tax Act, into a new provincial statute.

6. Real Estate Taxes

See "2. Personal Income Tax" above, regarding the property levy rebate for seniors.

7. Pensions

No changes were announced.

8. Other

The government announced its intention to grant authority to withhold or withdraw the licence of a so-called tax discounter who repeatedly filed inaccurate tax credit claims.

Ontario

Tax Highlights

- No corporate tax rate increases
- Two new personal income tax brackets
- Underground economy and aggressive international tax planning targeted

Tax Changes

1. Corporate Income Tax

Parallelling the federal clawback of the small business deduction, Ontario announced that for taxation years ending after budget day (May 1, 2014, subject to proration for straddle years), the small business deduction was phased out straightline for a large Canadian-controlled private corporation (CCPC), and an associated CCPC group, if in the previous year its taxable capital employed in Canada exceeded $10 million, and was fully eliminated if its taxable capital so employed reached $15 million. Ontario was the only province that previously allowed a large CCPC to claim a small business deduction.

Ontario announced its intention to require a corporation to disclose aggressive tax-avoidance transactions to the Canada Revenue Agency (CRA), which administers Ontario corporate tax. Ontario said that it intended to automatically parallel federal initiatives for captive insurers and offshore regulated banks to address aggressive international tax planning.

Also see "2. Personal Income Tax" below, regarding the fresh food donations credit.

2. Personal Income Tax

Effective after 2013, the government announced its intention to add two new tax brackets, lowering the threshold for the 13.16 percent tax rate from $514,090 to $220,000 and adding a new bracket for taxable income between $150,000 and $220,000, to which a 12.16 percent rate applied. The two tax brackets would not be indexed for inflation.

Changes to the dividend tax credit rates and the surtax were announced in the 2013 fall economic statement.[7] The changes were intended to keep the benefit of dividend tax credits the same for taxpayers with different incomes. The government announced that starting in 2014 the tax credit rates for non-eligible and eligible dividends were set at 4.5 percent and 10 percent, respectively.

The Local Food Act, 2013, which received royal assent on November 6, 2013, introduced a non-refundable income tax credit for farmers who donate food to community food programs such as food banks. Effective for donations after 2013, 25 percent of the value of donated agricultural goods can be claimed. Implementing regulations were said to be forthcoming.

3. Sales Tax

No changes were announced.

4. Sin Taxes

Effective at 12:01 a.m. on the day after budget day (May 2, 2014), the tobacco tax rate increased to 13.975 cents (from 12.350 cents) per cigarette (to $27.95 a carton) and per gram of non-cigarette and non-cigar tobacco products. The tax rate on cigars remains at 56.6 percent of the taxable price. A wholesaler of tobacco products that is not a tobacco tax collector must take an inventory of non-cigar tobacco products as of the end of May 1, 2014 (budget day) and remit the additional tax.

7 Ontario, Ministry of Finance, Economic Outlook and Fiscal Review, November 7, 2013.

TABLE 12 Projected Revenues and Expenditures, Ontario, Fiscal Year 2014-15

	millions of dollars
Total revenues	118,871
Total expenditures	(130,376)
Reserve	(1,000)
Surplus/(deficit)	(12,505)
Revenue sources	
Personal income tax	29,172
Corporate income tax	10,254
Sales tax	21,937
Other taxes	22,002
Total tax revenue	83,365
Federal transfers	21,882
Other revenues	13,624
Total revenues	118,871
Expenditures	
Education	24,840
Health	50,055
Debt servicing	11,010
Other expenditures	44,471
Total expenditures	130,376

Notes: The figures included those for government business enterprises. Expenditures were shown by ministry.

Source: Ontario, Ministry of Finance, 2014 Budget, July 14, 2014.

5. Resource-Related Matters

Beginning in 2014, the government announced its intention to increase the tax rate on aviation fuel by 1 cent per litre for each of the next four years to a tax of 6.7 cents per litre. The increase would be effective from the day after the amendment received royal assent, and on April 1 of 2015, 2016, and 2017. In addition, the government announced that the Ministry of Finance would work with the Ministry of Transportation to provide relief to vulnerable communities, especially in remote and northern areas.

The government announced its intention to amend the Gasoline Tax Act to authorize the finance minister to require the completion of an inventory report and to regulate in respect of the inventory requirement and transitional matters.

The government announced its intention to amend the Highway Traffic Act to include, inter alia, registration and licensing requirements for road-building machines (such as mobile cranes, concrete pumpers, and hydrovacs) that use public roads and highways. Licensed machines cannot use tax-exempt diesel fuel under the Fuel Tax Act, and thus diesel fuel used by those licensed road-building machines will be subject to fuel tax. The Ministry of Finance indicated that it would work with the Ministry of Transportation to review these vehicles' registration and licensing requirements.

6. Real Estate Taxes

The Ministry of Finance is reviewing aggressive transfer tax-avoidance structures; assessments may result. In particular, the de minimis exemption in the Land Transfer Tax Act, Regulation 70/91, for small changes in partnerships has been used to acquire land without the payment of tax. Ontario announced its intention to add a GAAR to the Act for a transaction or a series of transactions completed after budget day and is considering other legislative options.

Ontario announced its intention to reform the provincial land tax, which applies in unincorporated areas in northern Ontario and is significantly lower than property tax rates in neighbouring municipalities. Rates for 2014 were frozen at 2013 levels pending review; consultations were intended to finish in 2014, and proposals were to be made for the 2015 taxation year.

The government announced its intention to amend the property tax regulations to clarify the exemption for a non-profit hospice providing end-of-life care.

7. Pensions

The government proposed a new provincial pension plan based on the Canada Pension Plan. The Ontario retirement pension plan is intended to be introduced in 2017 to provide additional retirement income and will be administered at arm's length with the Ontario government. Enrolment is intended first for large employers, with contribution rates to be phased in over two years; individuals who participate in a similar workplace pension plan would not be required to enrol. Equal contributions by the employer and the employee (up to 1.9 percent each) would apply on annual earnings up to a maximum threshold of $90,000. The threshold would increase annually. Benefits would be earned as contributions were made.

The government also proposed to enact pooled registered pension plan (PRPP) legislation in the fall of 2014. Reflecting consultations with stakeholders, employers may choose to contribute to a PRPP; an employee is enrolled automatically but may opt out; and the PRPP will have a low cost to a plan member.

Legislation was announced for the spring of 2015 to introduce a new asset-pooling entity to enable the pooling of pension plan assets in the public sector.

The budget proposed to create a regulatory authority to prescribe for the conversion of a single-employer pension plan to a jointly sponsored pension plan.

The government also plans to address target benefit pension plans, the regulation of financial planning, and changes to the funding rules.

8. Other

A technical panel continues to review Ontario's business support including tax credits and grants. A final report was expected in the spring of 2014 to include a framework for ongoing evaluation.

The government is reviewing options to increase research and development (R & D) investment in Ontario, such as an incentive for incremental R & D (a measure that is used by most US states and by governments in some other countries), and possibly reduced credits if a taxpayer's R & D investment declines significantly. The government also announced its intention to consult with businesses and research organizations.

The government said that it would review training tax credits with the intention of making them non-refundable, like the federal training credits; smaller businesses would still be permitted to claim a refundable credit. The government also announced that it intended to continue to review training credits with a view to make them more effective.

The government said that the ministries of finance, labour, and consumer services were developing an action plan to address illegal activities in high-risk sectors and that it was working with the CRA on compliance activities to address the underground economy. After January 2014 and before the awarding of a contract with Ontario, a business must show that it has complied with its provincial tax obligations. Ontario again called on the federal government to release a national strategy to combat the underground economy and to coordinate efforts with all provinces.

Ontario has expressed concern regarding interprovincial income shifting, but Finance Minister Charles Sousa's letter to the federal government has yet to be addressed.

Ontario announced that it would regularly review its tax collection agreements with the CRA to ensure quality services and to optimize revenues.

It was intended that the Ministry of Finance would enhance audit activity of several taxes (employer health tax, tobacco tax, and gasoline and fuel tax, which are still administered by the province) through its flexible and integrated risk system (FAIRS) program to identify high-risk audit cases.

Ontario's overall tobacco strategy is intended to reduce smoking rates and the supply of low-cost illegal tobacco to young people. Government officials and First Nation leaders were reviewing other jurisdictions' regulatory regimes for community-based tobacco regulation and a revenue-sharing agreement. Ontario announced its intention to appoint a facilitator to engage with First Nations and other organizations to gather advice on the current allocation system for unmarked cigarettes and its modernization. Out of concern that the supply of contraband tobacco in Ontario is increasing, the Ministry of Finance has stepped up its enforcement activities with significant seizures of untaxed and illegal tobacco products and has assessed penalties under the Tobacco Tax Act. The government also announced its intention to enhance enforcement by implementing the raw leaf oversight system effective after 2014, and to amend the Tobacco Tax Act to, inter alia, increase fines and allow the impounding of vehicles used to transport illegal tobacco.

The 2014 federal budget proposed several corporate and personal income tax amendments, including those related to medical expenses, amateur athlete trusts, tax changes for farmers and fishers, estate donations, non-resident trusts, pension transfer limits, new limitations on shifting income to a minor child, donations of ecologically sensitive land and certified cultural property, clean energy generation equipment, and tax on insurance swaps and offshore regulated foreign financial institutions.[8] Ontario will adopt the measures and their effective dates once the federal legislative and regulatory changes are enacted or promulgated. The 2014 federal budget proposed an HST exemption for certain health-related services and medical devices; that exemption applied in Ontario from its date of enactment.

The federal 2014 budget proposal to eliminate graduated rates for some trusts and estates was under review in Ontario.

The government proposed to create two dedicated funds to support public transit and transportation infrastructure projects. In addition to current provincial funding for municipal transit, proposed revenue sources for these funds included the small business clawback for large corporations, the tax increase on aviation fuel, 7.5 cents per litre of the existing provincial gasoline tax, and some of the HST on current provincial tax on gasoline and road diesel.

Technical amendments were proposed to various statutes including the Alcohol and Gaming Regulation and Public Protection Act, 1996; the Assessment Act; the Income Tax Act; the Land Transfer Tax Act; the Liquor Control Act; the Ministry of Revenue Act; the Taxation Act, 2007; the Taxpayer Protection Act, 1999; and the Tobacco Tax Act.

QUEBEC

Tax Highlights

- Reduced manufacturing and processing (M & P) income tax rate for small and medium-sized enterprises (SMEs)
- Refundable tax credits for business reduced by 20 percent
- Tobacco tax increased
- Tax on alcohol standardized

Tax Changes

1. Corporate Income Tax

A Quebec manufacturing SME may reduce its tax rate on income subject to the small business rate—by 2 percentage points on the day after budget day (June 5, 2014) and by 4 percentage points after March 2015—if at least 50 percent of its activities consist of manufacturing, based on a formula related to asset and labour costs. The definitions of M & P assets and labour costs are the same as in the federal regulations. A SME with between 25 percent and 50 percent of M & P activities is entitled to a linearly reduced rate.

For a taxation year ending after June 4, 2014 (budget day), a remotely located manufacturing SME that is a CCPC with paid-up capital (PUC) of less than $15 million, and at least 25 percent of the activities of which are manufacturing and processing, may claim an additional deduction to reflect high transportation costs, depending

8 Canada, Department of Finance, 2014 Budget, February 11, 2014.

on the region where manufacturing occurs, the level of manufacturing activities, the size of the corporation and its gross income for the particular taxation year, and a regional cap. The maximum additional deduction annually is 6 percent of gross income and is affected by the zone and the percentage of M & P activities. The relevant zone (and the applicable rate)—intermediate (2 percent), remote (4 percent), special remote (6 percent), and other regions (0 percent)—depends on the location of the corporation's highest M & P capital cost (as the term is used for the reduced M & P income tax rate). M & P capital costs from a higher-rate zone may be combined with costs in a lower-rate zone to take advantage of the deduction. Regional caps of income relevant for the special deduction are $250,000 and $100,000 for the remote and intermediate zones, respectively. The deduction is prorated for part-years and for a corporation with PUC between $10 million and $15 million.

The health services fund contribution for a full-time job created by a Quebec SME (including a corporation, partnership, or individual, but excluding a provincial government, the federal government, or a tax-exempt body) that carried on business in Quebec in the natural and applied sciences sector was reduced until 2020. The employer must have a Quebec permanent establishment. The reduction eliminated the health services fund contribution for an employer with no more than $1 million payroll; the contribution was partially reduced if payroll was between $1 million and $5 million. A refund application may be made in the four years following the end of the year in which an excess contribution was paid. The reference year is the first post-2012 calendar year in which the employer carried on business throughout the year; special rules eliminate the effect of a business reorganization for this purpose. A list of recognized jobs for the purposes of the reduction was provided in the budget documents.[9] The change applied to a post-budget-day hiring if the reference year was 2013 and otherwise to a hiring after the end of the employer's reference year.

The government announced its intention to stimulate development in the marine industry by enhancing the refundable tax credit for the construction or conversion of ships. A Quebec shipowner may establish the separate accounting of a tax-free reserve for construction, renovation, and maintenance of the fleet performed by a Quebec shipyard, which reserve will expire at the end of 2033. A certificate from the Department of Economy, Innovation, and Exports is required before a fund may be established; the application must be submitted after budget day and before 2024. A tax holiday applies to the earnings on an existing fund. On termination of the reserve, a special tax applies equal to 1 percent of the FMV of the reserve at the preceding year-end multiplied by the number of years that the reserve existed.

A shipowner may claim additional capital cost allowance (CCA), in addition to the regular 33⅓ percent rate, for a Canadian vessel built or renovated by a Quebec shipyard after budget day and before 2024. The additional deduction was 50 percent of the CCA deducted, recorded in the separate class for the relevant costs. A Canadian vessel is a vessel that was built and registered in Canada and previously unused.

9 Quebec, Department of Finance and the Economy, Budget 2014-15, Additional Information on the Fiscal Measures of the Budget, June 4, 2014, at 13-14.

TABLE 13 Projected Revenues and Expenditures, Quebec, Fiscal Year 2014-15

	millions of dollars
Total revenues	96,397
Total expenditures	(97,446)
Deposits of dedicated revenue in Generations Fund	(1,301)
Surplus/(deficit)	(2,350)
Revenue sources	
Personal income tax	27,349
Corporate income tax	5,819
Sales tax	17,657
Other taxes	8,383
Total tax revenue	59,208
Federal transfers	18,607
Other revenues	18,582
Total revenues	96,397
Expenditures	
Education	20,665
Health	37,264
Debt servicing	10,831
Other expenditures	28,686
Total expenditures	97,446

Notes: The figures were presented on a consolidated basis, showing general fund plus consolidated entities; this accounting represented a change from the prior year's solely general fund figures. The figures shown for expenditures were by department, except for debt servicing. The departmental figure for education expenditure was a combined amount 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.

Source: Quebec, Department of Finance and the Economy, Budget 2014-2015, June 4, 2014.

Various refundable tax credits were reduced by 20 percent. These changes are shown in table 14.

The refundable tax credit for eligible expenditures related to buildings used in M & P activities by a Quebec manufacturing SME was eliminated on the day following budget day. However, a credit may be claimed if an eligible expense was incurred after budget day and before July 2015 and was incurred in respect of the acquisition of a building or an addition thereto under a written obligation entered into no later than budget day or thereafter if the property was under construction by or on behalf of a corporation or a partnership on budget day and a written obligation for the property's acquisition was entered into no later than budget day.

As of budget day, Investissement Québec would no longer issue certificates for a qualified information technology integration contract that allowed a claim for a refundable tax credit for the integration of information technologies in a manufacturing SME.

Also see "5. Resource-Related Matters" below.

TABLE 14 Details of the Reduction in Refundable Tax Credits for Business Activities as Provided in the 2014-15 Quebec Budget

Category/type of credit	Rate (%) Old	Rate (%) New	Effective date/comments
1. Technology			
a. Technology adaptation services	50	40	Expenditures incurred on or after June 4, 2014 (budget day).
b. Employment generating projects in IT sector	25	20	Temporary, for major projects. The credit is annual, and the reduced maximum is $12,000 per employee. For expenditures incurred by a corporation after budget day under an eligible contract.
c. E-business development	30	24	For salaries incurred after budget day. The government announced its intention to maintain and not to raise the annual cap of $20,000 per employee to $22,500 as of January 1, 2016, as previously announced.[a]
2. Cultural			
a. Quebec film and television production	45	36	Percentage of labour expenditures, subject to a cap of 50% of production expenses, applied to a production for which an application for a certificate or advance ruling was submitted, after budget day if the work was not considered by the Société de développement des enterprises culturelles (SODEC) to be sufficiently advanced on budget day, and after August 2014 otherwise.
	(base for certain French-language and giant screen productions)		
	35	28	
	(base for other productions)		
	65	52	
	(maximum credit for computer animation and special effects; a regional increase; and an increase for no public financial assistance)		
b. Film production services (for a foreign production or a Quebec production, for example, without adequate Quebec content)	25	20	Percentage of labour costs (and the cost of eligible goods for the base tax credit), applied after budget day if SODEC considered that the production was not sufficiently advanced on that day, and after August 2014 otherwise.
	(base)		
	45	36	
	(increased credit for special effects/computer animation)		

(Table 14 is continued on the next page.)

TABLE 14 Continued

Category / type of credit	Rate (%) Old	New	Effective date / comments
c. Dubbing of a film	35	28	Limited to 45% of the dubbing consideration before sales taxes, applied to dubbing completed after August 2014.
d. Sound recording production	35	28	Percentage of eligible labour expenditure, limited to 50% of the direct production costs, for a sound recording, digital audiovisual recording, or clip, after budget day if SODEC considered that the production was not sufficiently advanced on that day and after August 2014 otherwise. An application for an advance ruling or a certificate regarding the property must be submitted to SODEC.
e. Show production	35	28	Percentage of eligible labour expenditure, limited to 50% of show production expenses. The credit limit was reduced to $1 million (from $1.25 million) for a musical comedy and to $600,000 (from $750,000) otherwise. The change applied after budget day if SODEC considered that the production work was not sufficiently advanced on that day, and after August 2014 otherwise.
f. Multimedia environments or events production staged outside Quebec	35	28	Percentage of eligible labour expenditure. The maximum tax credit was reduced to $280,000 (from $350,000); the maximum eligible expenditure cannot exceed 50% of expenditures. The event must offer an educational or cultural experience for entertainment purposes. An application for an advance ruling or a certificate must be submitted to SODEC. The changes applied after budget day if SODEC considered that the production work was not sufficiently advanced on that day, and after August 2014 otherwise.

(Table 14 is continued on the next page.)

TABLE 14 Continued

Category/type of credit	Rate (%) Old	New	Effective date/comments
g. Book publishing	35 (preparation costs and digital version publishing costs; limited to 50% of costs)	28	Percentage of the eligible labour expenditure, for an eligible book or group of books. The maximum tax credit for a book or one of a group of books was reduced to \$350,000 (from \$437,500). An application for an advance ruling or for a certificate must have been submitted to SODEC. The change applied after budget day if SODEC considered that the preparation of the book was not sufficiently advanced on that day and after August 2014 otherwise.
	27 (printing and reprinting costs; limited to 33⅓% of costs)	21.6	
h. Multimedia titles production	30 plus 7.5 (premium for French)	24 plus 6.0 (premium for French)	Higher percentage for a title intended for commercialization that was not an occupational training title; lower rate is for other titles. The new rates applied for labour expenditures incurred after budget day or under a contract entered into on or after that day.
i. Design activities in Quebec	15	12	Design activities carried out on or after budget day, under an outside consulting contract entered into on or after that day and to salaries after that day for work done by a corporation's designer or pattern maker employee, up to 24% for a small or medium-sized enterprise (SME).
3. International Financial Centre (IFC)			
a. Existing employee	30	24	For an annual salary per eligible employee of up to \$66,667 incurred after budget day. The maximum credit was thus reduced to \$16,000 (from \$20,000) for eligible salary expenses incurred after budget day.
b. New IFC, general expenses	40	32	Percentage of eligible expenses incurred after budget day. The maximum credit was thus reduced to \$120,000 (from \$150,000) for eligible expenses incurred after budget day.
c. New IFC, new employee (see item 6)	30	24	Percentage of eligible salary incurred after budget day. The maximum credit was thus reduced to \$24,000 (from \$30,000) for eligible salary expenses incurred after budget day.

(Table 14 is continued on the next page.)

TABLE 14 Continued

Category / type of credit	Rate (%) Old	Rate (%) New	Effective date / comments
4. Manufacturing and processing (M & P)			
a. Equipment investments[b]	5 (base rate)	4 (base rate)	The additional rates are reduced for paid-up capital (PUC) over $250 million and up to $500 million. The credit is not refundable if PUC is $500 million or more. These changes are effective for an eligible expense incurred after budget day, unless the expense was incurred before July 2015 to acquire a property no later than budget day or thereafter if the qualified property was under construction by or on behalf of the corporation or a partnership on budget day or the property was acquired under a written obligation entered into no later than budget day.
	plus 5 (available if no tax credit received for job creation in certain regions)	nil	
	plus 35 (remote zone, no additional 5%)	plus 28 (remote zone, no additional 5%)	
	plus 25 (Eastern Bas-Saint-Laurent region)	plus 20 (Eastern Bas-Saint-Laurent region)	
	plus 15 (intermediate zone)	plus 12 (intermediate zone)	
	plus 5 (other regions)	plus 4 (other regions)	
	plus 10 (SME)	nil	
b. Market diversification	30	24	For expenditures outside Quebec by a manufacturing company (available for expenses incurred before the end of 2015); the cumulative limit was reduced to $36,000 (from $45,000) of eligible certification expenses incurred under a contract entered into on or after budget day for a taxation year beginning after that day.

(Table 14 is continued on the next page.)

TABLE 14 Continued

	Rate (%)		
Category/type of credit	Old	New	Effective date/comments
5. Research and development (R & D)[c]			
a. General—R & D salary	17.5 (for any person)	14	The maximum rate of 30% for a Canadian-controlled private corporation (CCPC) was reduced linearly to 14% for a CCPC with assets valued between $50 million and $75 million. The rate changes applied to R & D expenditures incurred after budget day or under a research contract entered into on or after that day.
	37.5 (CCPC)	30	
b. Work subcontracted to university, public research centre, research consortium	35	28	
c. Precompetitive research by a private partnership	35	28	
d. Contributions to a research consortium	35	28	
e. Biopharmaceutical corporation—R & D salary	37.5 (CCPC)	30 or eliminated	The 37.5% rate fell linearly to 27.5% for a CCPC with assets valued between $50 million and $75 million. The increased rate was eliminated effective as of budget day, and no new initial certificates would be issued by Investissement Québec. A biopharmaceutical corporation previously recognized by Investissement Québec could continue to claim the increase for its taxation year that included budget day. A CCPC could receive a benefit of up to 30% subject to the linear reduction if its assets were valued between $50 million and $75 million. The change applied to R & D expenditures incurred after budget day or under a research contract entered into on or after that day.
	27.5 (other)	22 or eliminated	

(Table 14 is continued on the next page.)

TABLE 14 Continued

Category/type of credit	Rate (%) Old	Rate (%) New	Effective date/comments
6. Jobs (see also 3(c))			
a. Special regions	10 (resource regions)	9 (8 after 2014)	For job creation in processing activities in the resource regions and for job creation in the Vallée de l'aluminium, Gaspésie, and certain Quebec maritime regions; available until the end of 2015.
	20 (other)	18 (16 after 2014)	
b. Marine biotechnology and mariculture, and marine products processing	40 (marine biotechnology and mariculture)	36 (32 after 2014)	For job creation in Gaspésie and certain Quebec maritime regions for marine biotechnology and mariculture, and for marine products processing; available until the end of 2015.
	20 (marine products processing)	18 (16 after 2014)	
c. Sector-related training	30	24	For manpower training in the manufacturing, forest, and mining sectors; for expenditures incurred before 2016. The changes applied to expenditures incurred by a corporation or partnership with a Quebec permanent establishment under an eligible training contract entered into on or after budget day.
d. Student training	30 or 40 (corporate employer)	24 or 32	For on-the-job training for a student. The higher rate for a corporate or individual employer applied to a handicapped or immigrant trainee. For an expenditure incurred after budget day as part of a training period that began after budget day.
	15 or 20 (individual employer)	12 or 16	

(Table 14 is continued on the next page.)

TABLE 14 Continued

Category/type of credit	Rate (%) Old	New	Effective date/comments
7. Resources			
a. Corporation not operating a mineral resource or oil or gas well			Tax benefits relating to flowthrough shares were reduced by 20%, to 110% or 120% for mining, oil, or gas exploration expenses incurred in Quebec.
i. Re: mining resources, oil, and natural gas	38.75 (mid-north or far north)	31	In all cases, applied to expenses incurred after budget day.
	35 (other Quebec)	28	
ii. Re: renewable energy and energy conservation	35	28	
iii. Re: other natural resources (cut stone)	15	12	
b. Other corporation			
i. Re: mining resources, oil, and natural gas	18.75	15	
	15	12	
ii. Re: renewable energy and energy conservation	30	24	
iii. Re: other natural resources (cut stone)	15	12	

(Table 14 is concluded on the next page.)

TABLE 14 Concluded

	Rate (%)		
Category/type of credit	Old	New	Effective date/comments
8. Tourism	25	20	To foster the modernization of tourist accommodation outside the greater Montreal and Quebec City regions. The annual $50,000 expenditure threshold over which a credit may be claimed was replaced with a cumulative $50,000 threshold for a corporation's taxation year ending after 2013. The changes applied to expenditures incurred by a corporation or partnership after budget day, unless the expenditure was incurred before July 2015 under a contract entered into before budget day.

[a] Quebec, Department of Finance and the Economy, *Information Bulletin* 2013-7, July 11, 2013, at 99-11.
[b] These items were not included in the Quebec budget as 20% reduction measures.
[c] The items in this category were not included in the Quebec budget's 20% reduction measures.

Source: Quebec, Department of Finance and the Economy, Budget 2014-15, Additional Information on the Fiscal Measures of the Budget, June 4, 2014, at 31-59.

2. Personal Income Tax

In 2015, the tax credit for experienced workers was enhanced and calculated on the first $4,000 of eligible work income that exceeded the first $5,000 of such income.

After budget day, a 20 percent refundable tax credit of up to $40 per annum was introduced for a low- or middle-income individual Quebec resident (or his or her spouse) aged 70 or over at the end of the tax year who registered for a recognized activity program such as physical, artistic, cultural, or recreational activity. An individual was excluded if his or her income exceeded $40,000 (indexed) or if he or she or the eligible spouse was exempt from tax.

3. Sales Tax

No changes were announced.

4. Sin Taxes

The specific tax on tobacco products was increased at midnight at the end of budget day. The rate of tax increased from 12.9 cents to 14.9 cents per cigarette or gram of loose tobacco or leaf tobacco. The rate of tax increased from 19.85 cents per gram on other tobacco (excluding cigars) to 22.92 cents per gram. The minimum tax on a tobacco stick increased from 12.9 cents to 14.9 cents per stick. The ad valorem tax of 80 percent on the price of cigars remained unchanged. A person that sells tobacco products and is not under an agreement with Revenue Quebec must take an inventory as of midnight on June 4, 2014 and remit the inventory form and the increased tax before July 5, 2014. Collection officers under agreement with Revenue Quebec must also remit any increased tax. Inventory includes all items in stock of a person whether or not they have been delivered to that person.

Effective at 6 a.m. on August 1, 2014, the tax rates on beer and other alcoholic beverages were the same regardless where the beverage was consumed and were standardized at a rate between the old rates. The new rate for beer and other alcoholic beverages was set at $0.63 and $1.40 per litre, respectively. The reduction for a microbrewer of 67 percent and 33 percent on the first and second 75,000 hectolitres, respectively, sold in a year continued: the rate was 20.79 cents and 42.21 cents per litre on the first and second 75,000 hectolitres, respectively. The reductions for other alcoholic beverages sold by small-scale producers of 100 percent and 85 percent on the first 15,000 hectolitres continued: the first 1,500 litres and the next 13,500 litres were not subject to specific tax and taxed at 21 cents per litre, respectively. An inventory was required as of 6 a.m. on August 1, 2014 of alcoholic beverages for consumption in an establishment in order to claim a refund reflecting the new rates; the inventory form must be remitted by November 1, 2014. A person that sold alcoholic beverages for consumption other than in an establishment must take an inventory as of 6 a.m. on August 1, 2014 and remit the increase and the inventory form before August 30, 2014. Inventory in stock includes alcoholic beverages acquired by a person but not yet delivered to that person.

5. Resource-Related Matters

The refundable tax credit for resources can reach 38.75 percent; the rate varies according to the type of resource, the place where the expenses were incurred, and the type of corporation that incurred the expense. The credit was reduced by 20 percent in the 2014 budget and may reach 31 percent for eligible expenses incurred after the budget date.

Under the flowthrough share regime, an acquiror was able to deduct 100 percent of cost and also receive an additional 25 percent deduction for exploration expenses incurred in Quebec or another 25 percent deduction for expenses that were paid for with share proceeds and were surface mining exploration or oil and gas exploration expenses incurred in Quebec by the issuing corporation. The additional deductions were reduced; the individual investor may now claim 110 percent or 120 percent of mining, oil, or gas exploration expenses incurred in Quebec: a 10 percent additional deduction applied for mining exploration expenses incurred in Quebec and a second deduction of 10 percent for surface expenses, and a total additional deduction of 20 percent for oil and gas expenses incurred in the province. An additional deduction by an acquiror for issue expenses was reduced from 15 percent to 12 percent of the issue proceeds. These changes applied to flowthrough shares issued after budget day, unless the underlying placement or the interim prospectus receipt application or prospectus exemption application was made no later than budget day.

A proposed amendment to the Mining Tax Act allowed a mine operator to apply to the minister of energy and natural resources after budget day to allow the value of gemstones from a mine to be determined outside the mine site. The minister may set conditions.

For taxation years beginning after 2013, hydrometallurgy was included in the meaning of processing. The processing allowance calculation was also amended by the budget to allow a mine operator carrying out hydrometallurgy activities to deduct an allocable processing allowance for mining tax purposes in calculating output value at the mine shaft head and the mine's annual earnings. The changes applied to a taxation year beginning after 2013.

Changes to the refundable tax credit for resources, announced in the 2012 budget[10] and previously deferred until after 2014, were again deferred until a later date. The refundable tax credit rates for resource expenses incurred after 2013 were reduced in the 2012 budget, and the credit was conditionally improved for the eligible expenses of qualifying corporations relating to mining resources, oil, and natural gas and incurred after 2013.

It was announced that the minister of revenue would assume responsibilities currently held by the minister of energy and natural resources relating to the application

10 Quebec, Department of Finance, Budget 2012-13, Additional Information on the Fiscal Measures of the Budget, March 20, 2012, at 53-55.

of the Mining Tax Act. The transfer was to take effect on April 1, 2015. Related files and other documents obtained by the minister of energy and natural resources would come under the jurisdiction of the minister of revenue from that date. Provisions for the exchange of information between the two departments would be stipulated, and the responsibilities would be transferred in compliance with the applicable collective agreements.

6. Real Estate Taxes

No changes were announced.

7. Pensions

Effective after 2014, the mechanism for splitting retirement income between spouses was amended to eliminate the preferential treatment given to an individual who received a life annuity under a registered pension plan. The amendment required that the person whose income was split must have reached age 65 by the year-end, by the date of death, or by the date of ceasing to be a Canadian resident.

8. Other

For the purposes of various statutes, the government committed to amend the definition of base wages related to a taxable benefit in kind and used in the calculation of employer contributions. In future, that amount would include an amount paid, allocated, granted, or awarded to an employee because of or in the course of his or her office or employment by a person not at arm's length with the employer, unless such amount would not be included in base wages if paid directly by the employer. The change applied for the purposes of the compensatory tax of a financial institution, the Quebec Pension Plan, the Health Services Fund, the Workforce Skills Development and Recognition Fund, the Act Respecting Labour Standards, the Act Respecting Industrial Accidents and Occupational Diseases, and the Act Respecting the Régie de l'assurance maladie. The change followed a decision of the Quebec Court of Appeal in *Pratt & Whitney*.[11] The amendment had declaratory effect but did not apply to a case pending on budget day or to a notice of objection served on the minister no later than 4 p.m. on budget day if the reason for the objection was that the amount was paid by a person not at arm's length with the employer.

It was announced that the tax credits available to investors in the Fonds de solidarité des travailleurs du Québec (FTQ) would be limited to $650 million of PUC in the fiscal year June 1, 2014 to May 31, 2015. If any excess PUC gave rise to a 15 percent tax credit, the FTQ would be subject to a 15 percent special tax on the excess due no later than 90 days after the end of the fiscal year. It was also announced that for the fiscal year June 1, 2014 to May 31, 2015, the PUC for eligible shares that may be raised by the Fonds de développement de la Confédération des syndicats nationaux

11 *Pratt & Whitney Canada Cie.*, 2013 QCCA 706.

pour la coopération et l'emploi (Fondaction) and generate a tax credit for investors is reduced by $25 million: the total that may be raised equals the sum of $200 million and the amount that Fondaction was authorized to collect for its fiscal year ending May 31, 2014 net of amounts paid to purchase an eligible share as first acquiror in that fiscal year. If excess capital was collected above the maximum authorized, Fondaction was required to pay a special tax of 25 percent of the excess no later than 90 days after the end of its 2014-15 fiscal year.

It was announced that the required investment by a labour fund—60 percent of average net assets in the preceding fiscal year—shall include a new venture capital fund of funds, which was to be participated in by the FTQ. (Its statute of incorporation would be amended accordingly.) Furthermore, in recognition of Fondaction's contribution in establishing a new limited partnership to develop the residual forest biomass sector, Fondaction's statute of incorporation would be amended to clarify that those investments were eligible investments for the 60 percent investment requirement. In both cases, investments agreed upon and for which sums had been committed but not yet distributed were also eligible investments, but those investments were not included in the FTQ's authorized 12 percent limit for non-disbursed investments.

The budget announced recognition for investments made in regions facing economic difficulties for the purposes of the regional component of the investment requirement of Capital régional et coopératif Desjardins (CRCD). A CRCD investment of up to $500,000 without security or hypothec after 2013 and before 2018 in an eligible entity located in a named region facing economic difficulty—including some regions that were not resource regions—would be grossed up by 100 percent for the investment requirement. The budget contained a list of territories that were identified as facing economic difficulties. Similar rules applied to investments in certain limited partnerships. The tax credit related to the acquisition of CRCD shares was reduced from 50 percent to 45 percent for shares acquired after February 2014 to a maximum credit of $2,250. A special tax was imposed on CRCD to recover any tax credit paid out for the purchase of shares that related to excess capitalization. Adjustments to the allowable capital that can be raised by CRCD would be made for the period March 1, 2014 to February 29, 2016.

The budget confirmed that legislation and regulations would be amended to reflect some measures in the 2014 federal budget.[12] The Quebec budget included a list of federal measures that would be incorporated, such as the expansion of medical expenses eligible for the tax credit and the change to the anti-avoidance rule concerning captive insurance corporations. However, the budget also included a list of federal measures that would not be incorporated: the increase in maximum expenditures eligible for the adoption expense tax credit; the extension of the mineral exploration tax credit for flowthrough share investors; the automatic determination of the GST/HST credit; consequential amendments on the elimination of graduated

12 Supra note 8.

tax rates for some trusts and estates; the deferral extension from 5 to 10 years for corporate gifts of ecosensitive land; and a specific anti-avoidance rule for tax withholding on interest payments. QST changes were planned to incorporate, with adaptations on the basis of its general principles, the federal changes relating to the GST/HST election for closely related persons, and the compliance-strengthening changes for GST/HST registration. It was also announced that the QST would be harmonized with GST/HST improvements to its application in the health-care sector announced in the 2014 federal budget. Quebec tax legislation and regulations would be amended to incorporate, with adaptations, the federal amendments regarding awards under the offshore tax informant program to be effective from the same dates as the federal program; withholding at source was set at a 20 percent rate.

A federal news release of April 8, 2014 invited public comment on a number of proposals for income tax and sales tax amendments, including changes to the income taxation of the Canadian film or video production tax credit;[13] the Quebec government announced that it would not be adopting the latter proposals. However, with respect to proposed sales tax measures, Quebec announced its intention to amend QST legislation to incorporate, with adaptations, federal GST/HST technical changes regarding real property, clarifying the application of public service body rebates for non-profit organizations that operate some health-care facilities, zero-rating precious metals refining services supplied to unregistered non-residents, simplifying the tax treatment of the temporary importation of certain rail cars, codifying the long-standing relief from tax treatment upon re-entry into Canada of Canadian goods on which GST/HST has already been paid, and updating certain legislative references in the regulations. The provincial harmonization measures were generally to take effect at the same time as the underlying federal proposals.

New Brunswick

Tax Highlights

- No corporate or personal income tax rate increases
- Small business investor tax credit enhanced
- No sin tax increases

Tax Changes

1. Corporate Income Tax

Effective for the 2014 taxation year, the small business investor tax credit was increased to allow a corporation and a trust to be eligible to claim a 15 percent non-refundable corporate income tax credit on eligible investments of up to $500,000, for a maximum tax credit of $75,000. An eligible corporation in New Brunswick

13 Canada, Department of Finance, "Department of Finance Releases Income and Sales Tax Technical Amendments for Public Comment," *News Release*, April 8, 2014.

must apply to the provincial government in advance to be permitted to issue shares eligible for this tax credit. Prior to the 2014 budget, the small business investor tax credit was a 30 percent non-refundable credit against an individual's NB personal tax credit up to $250,000.

The credit was enhanced for an individual, a corporation, or a trust that invested in a registered community economic development investment fund.

2. Personal Income Tax

See "1. Corporate Income Tax" above.

3. Sales Tax

No changes were announced.

4. Sin Taxes

No changes were announced.

5. Resource-Related Matters

The government announced that a comprehensive review of New Brunswick's mineral royalty structure was under way to ensure that the province received fair value for those non-renewable resources. The province previously announced that a royalty structure was in place to establish the stability needed by the sector to operate efficiently.

The government announced that its approach to the forestry sector would undergo fundamental change; the government said that it would unveil a plan in the days following the budget.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

The government announced its intention to invest more than $80 million over five years in research and innovation through the establishment of the New Brunswick Research and Innovation Council.

The government also announced that it was reviewing its agreements relating to, inter alia, taxation and revenue sharing to ensure that they provided the requisite fairness for sustainable and long-term private investment.

The government announced that it was developing a "smart regulations system" to reduce by 20 percent the red tape and time and money spent by residents to access government services.

TABLE 15 Projected Revenues and Expenditures, New Brunswick, Fiscal Year 2014-15

	millions of dollars
Total revenues	8,036
Total expenditures	(8,427)
Reserve	nil
Surplus/(deficit)	(391)
Revenue sources	
Personal income tax	1,508
Corporate income tax	251
Sales tax	1147
Other taxes	959
Total tax revenue	3,865
Federal transfers	2,618
Other revenues	1,553
Total revenues	8,036
Expenditures	
Education	1,111
Health	2,613
Debt servicing	685
Other expenditures	4,018
Total expenditures	8,427

Notes: Figures were shown on a main estimates basis. An additional $213 million of revenue was provided in the form of conditional federal grants. Expenditure figures were shown by department. “Other revenues” included $94 million in forest and mining royalties.

Source: New Brunswick, Department of Finance, 2014-2015 Budget, February 4, 2014.

Nova Scotia

Tax Highlights

- No tax increases or new taxes
- Previously announced HST rate reductions would not proceed in 2014 and 2015

Tax Changes

1. Corporate Income Tax

No changes were announced.

2. Personal Income Tax

The graduate retention rebate was eliminated after 2013. The government announced its intention to focus on supporting students while they are studying and when they enter the workforce. For example, the government said that it intended to eliminate interest on the provincial portion of student loans.

TABLE 16 Projected Revenues and Expenditures, Nova Scotia, Fiscal Year 2014-15

	millions of dollars
Total revenues	9,566
Total expenditures	(9,936)
Reserve and consolidating adjustments	91
Surplus/(deficit)	(279)
Revenue sources	
Personal income tax	2,343
Corporate income tax	441
Sales tax	1,711
Other taxes	629
Total tax revenue	5,124
Federal transfers	3,047
Other revenues	1,395
Total revenues	9,566
Expenditures	
Education	1,220
Health	4,105
Debt servicing	878
Other expenditures	3,733
Total expenditures	9,936

Notes: Revenue source figures were for general revenue fund only with adjustments for consolidation. Expenditure figures were shown by department, general revenue fund.

Source: Nova Scotia, Department of Finance and Treasury Board, Budget 2014-2015, April 3, 2014.

The government said that in the coming year eligibility for the child tax benefit would be expanded to include 1,300 more children from low-income families.

Effective in 2014, a new $1,000 non-refundable age amount tax credit became available for seniors with taxable income under $24,000. The credit was intended to eliminate provincial personal income tax for many seniors.

3. *Sales Tax*

The government announced that it did not intend to proceed with planned reductions of the provincial portion of HST of 1 percentage point on July 1, 2014 and on July 1, 2015. The HST rate remained at 15 percent for 2014-15; the government said that it would consider the reduction when sustainable fiscal balances are achieved.

4. *Sin Taxes*

No changes were announced.

5. Resource-Related Matters

Effective after 2014, the efficiency tax was removed from every Nova Scotia Power electricity bill, resulting in energy cost savings for all users.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

In February 2014, the government announced its intention to begin a comprehensive tax review, which would include a thorough examination of taxes, fees, and the regulatory burden on the private sector and consider simplicity, fairness, competitiveness, and sustainability. For the 2014-15 fiscal year, fees, tax credits, and rebates remained unchanged (except for the graduate retention rebate, discussed above). The review was intended for delivery in fall 2014.

The government published a list of factors that may affect revenue forecasts.

Prince Edward Island

Tax Highlights

- No tax increases or changes

Tax Changes

1. Corporate Income Tax

No changes were announced.

2. Personal Income Tax

No changes were announced.

See "6. Real Estate Taxes" below regarding an increase in the seniors' home repair grant.

3. Sales Tax

No changes were announced.

4. Sin Taxes

No changes were announced.

TABLE 17 Projected Revenues and Expenditures, Prince Edward Island, Fiscal Year 2014-15

	millions of dollars
Total revenues	1,617
Total expenditures	(1,657)
Reserve and consolidating adjustments	nil
Surplus/(deficit)	(40)
Revenue sources	
Personal income tax	322
Corporate income tax	53
Sales tax	250
Other taxes	216
Total tax revenue	841
Federal transfers	633
Other revenues	143
Total revenues	1,617
Expenditures	
Education	232
Health	581
Debt servicing	129
Other expenditures	715
Total expenditures	1,657

Notes: Revenue and expenditure figures were consolidated. Expenditure figures were shown by department. Additional expenditures by the Department of Health and Wellness increased gross expenditure on health to $594 million. The 2013-14 estimates and forecasts were restated for comparative purposes.

Source: Prince Edward Island, Department of Finance, Energy and Municipal Affairs, Budget 2014-2015, April 8, 2014.

5. Resource-Related Matters

No changes were announced.

6. Real Estate Taxes

The government committed to the implementation of a new home-care renovation program and promised to increase the grant to $2,000 for qualified applicants for the seniors' home repair program.

7. Pensions

No changes were announced.

8. Other

No changes were announced.

Newfoundland and Labrador

Tax Highlights

- Small business corporate income tax reduced
- Dividend tax credit rates decreased
- Tobacco tax rate increased

Tax Changes

1. Corporate Income Tax

The small-business corporate income tax rate was reduced from 4 percent to 3 percent, effective July 1, 2014.

2. Personal Income Tax

The dividend tax credit rate for eligible dividends was decreased from 11 percent to 5.4 percent and the rate for non-eligible dividends from 5 percent to 4.1 percent, effective July 1, 2014. The effective tax rates on eligible and ineligible dividends are intended to be equivalent. The combined federal-Newfoundland and Labrador top marginal tax rate for 2014 on non-eligible dividends was 32.08 percent and on eligible dividends was 30.19 percent; the increase largely reflects the federal rate change.

The low-income tax reduction thresholds were increased to eliminate personal income tax for a single individual with net income up to $18,547 (formerly $17,547) and for a family with net income up to $31,362 (formerly $29,362). The budget also ensured partial tax reductions for an individual with net income up to $22,815 and for a family with net income up to $38,006.

The low-income seniors' benefit, a refundable tax credit, was increased effective October 2014 to $1,036 (from $971 in 2013) for a low-income individual who was at least 65 years of age at any time in the taxation year, with eligibility based on the family net income in the preceding year.

3. Sales Tax

No changes were announced.

4. Sin Taxes

The tobacco tax rate was increased by 3 cents per cigarette and by 6 cents per gram on fine-cut tobacco, effective at 12:01 a.m. on March 28, 2014. An inventory must be completed as of the increase's effective date and the inventory form and increased tax remitted.

TABLE 18 Projected Revenues and Expenditures, Newfoundland and Labrador, Fiscal Year 2014-15

	millions of dollars
Total revenues	7,291
Total expenditures	(7,829)
Surplus/(deficit)	(538)
Revenue sources	
Personal income tax	1,222
Corporate income tax	236
Sales tax	981
Other taxes	3,051
Total tax revenue	5,490
Federal transfers	830
Other revenues	971
Total revenues	7,291
Expenditures	
Education	1,226
Health	2,399
Debt servicing	874
Other expenditures	3,329
Total expenditures	7,829

Notes: Health expenditure includes consolidated net expense for health and community expenses. Expenditures were shown as current account expenditures by function. Offshore royalties were shown as $2,398 million in the accrued consolidated reports and included in “other” tax revenue; $101 million from mining tax and royalties was also included in tax revenue. The total revenue figure is consolidated and is the sum of net income of government business enterprises of $264 million and fiscal revenue of $7,027 million. (Column may not add because of rounding.)

Source: Newfoundland and Labrador, Department of Finance, Budget 2014, March 7, 2014.

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

- Small-business rate decreased
- No new taxes or tax increases

Tax Changes

1. Corporate Income Tax

The small-business tax rate was reduced from 4 percent to 3 percent. No effective date was announced in the budget documents, but the amendment was effective July 1, 2014.[14]

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.

14 See www.finance.gov.yk.ca.

TABLE 19 Projected Revenues and Expenditures, Yukon, Fiscal Year 2014-15

	millions of dollars
Total revenues	1,215
Total expenditures	(1,142)
Reserve	nil
Surplus/(deficit)	72
Revenue sources	
Personal income tax	72
Corporate income tax	24
Sales tax	na
Other taxes	32
Total tax revenue	128
Federal transfers	898
Other revenues	189
Total revenues	1,215
Expenditures	
Education	190
Health	338
Debt servicing	37
Other expenditures	577
Total expenditures	1,142

Notes: Expenditure figures for education and health were shown by department. Non-consolidated reporting was used to reflect the announced surplus figure; the consolidated surplus was reported as $83 million. The debt-servicing figure shown represents expenditures on loan programs. The 2013-14 forecast and estimate were restated to be consistent with the 2014-15 estimate presentation. (Column may not add because of rounding.)

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 2014-2015, March 25, 2014.

Northwest Territories

Tax Highlights

- No new taxes or income tax increases
- Property tax mill rates and some fees adjusted for inflation
- Tobacco tax increased

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*

The tax rate on loose tobacco increased to 26.6 cents a gram from 20.0 cents, effective February 1, 2014.

5. *Resource-Related Matters*

No changes were announced.

6. *Real Estate Taxes*

Effective April 1, 2014, the mill rate for property tax was adjusted for inflation.

7. *Pension*

No changes were announced.

8. *Other*

Some fees were adjusted for inflation.

TABLE 20 Projected Revenues and Expenditures, Northwest Territories, Fiscal Year 2014-15

	millions of dollars
Total revenues	1,846
Total expenditures	(1,613)
Reserve	(33)
Surplus/(deficit)	200
Revenue sources	
Personal income tax	105
Corporate income tax	53
Sales tax	na
Other taxes	113
Total tax revenue	271
Federal transfers	1,374
Other revenues	201
Total revenues	1,846
Expenditures	
Education	306
Health	392
Debt servicing	5
Other expenditures	910
Total expenditures	1,613

Notes: Figures showed health and education expenditure by department; the education figure was a composite for the Department of Education, Culture, and Employment, and the health figure included social services. The debt-servicing figure was on a cash basis. The minister of finance noted in his budget address that in less than two months, the Northwest Territories was scheduled to take responsibility for the management of its land, water, and resources. The stated surplus was on a non-consolidated basis. The reserve consists of infrastructure contributions of $29 million, deferred maintenance of $3 million, and petroleum products stabilization fund profit of $178,000 (difference due to rounding).

The Northwest Territories will receive resource revenues under devolution, starting in 2014-15; half will be offset against federal territorial formula financing grants and 25 percent of the balance will be shared with aboriginal governments. The Northwest Territories and the federal government signed a devolution agreement on March 11, 2013.

Source: Northwest Territories, Department of Finance, Budget 2014-2015, February 6, 2014.

Nunavut

Tax Highlights

- No tax changes or new taxes

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. Pension

No changes were announced.

8. Other

No changes were announced.

TABLE 21 Projected Revenues and Expenditures, Nunavut, Fiscal Year 2014-15

	millions of dollars
Total revenues	1,640
Total expenditures	(1,533)
Supplementary requirements, revolving funds, and contingencies	(71)
Surplus/(deficit)	36
Revenue sources	
Personal income tax	28
Corporate income tax	13
Sales tax	na
Other taxes	49
Total tax revenue	90
Federal transfers	1,481
Other revenues	69
Total revenues	1,640
Expenditures	
Education	208
Health	311
Debt servicing	4
Other expenditures	1,010
Total expenditures	1,533

Notes: Main estimates were 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 cash, non-consolidated basis.

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 2014-2015, May 26, 2014.