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Finances of the Nation

Vivien Morgan*

SURVEY OF PROVINCIAL AND TERRITORIAL BUDGETS, 2016-17

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 presents annual surveys of provincial and territorial budgets, and topical articles on taxation and public expenditures in Canada. This article surveys the 2016-17 provincial and territorial budgets.*

The underlying data for the Finances of the Nation *monographs and the articles in this journal will be published online in the near future.*

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

CONTENTS

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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 2016-17 budget revenues and expenditures for the various provinces and territories, as well as tables that show for each jurisdiction the corporate income tax rates, personal brackets and rates for each jurisdiction, and other matters. Second, the article summarizes the projected budget revenues and expenditures in tabular form and also summarizes the tax changes in narrative form for each province and territory.

SUMMARY INFORMATION

Most of the provinces and territories brought down their 2016-17 fiscal-year budgets between February and June 2016. The precipitous drop in the price of oil in calendar 2014 continued to significantly affect revenues from related taxes and royalties, and caused interprovincial migration and consequent shifts in revenue and expense.

In the spring of 2016, a massive forest fire invaded Fort McMurray, Alberta, home to many workers in the Alberta oil sands; the resulting damage was a further setback for a community, and a province, that was already under financial stress from the drop in oil prices. Newfoundland and Labrador was also hit hard by the loss of oil revenues. New Brunswick experienced an extended downturn in its budgetary position and set about stemming the deficits in 2015 and 2016. A slight majority of the provinces and territories projected a budget deficit (with expenditures exceeding revenues) in this cycle, but 5 of the 13 jurisdictions forecasted a surplus in the 2016-17 fiscal year based on projected increased economic growth and continued moderate spending restraint. Newfoundland and Labrador made significant tax changes across the board to increase revenues. Most jurisdictions that issued projections for future years expected to return to a balanced budget or surplus in two to four years, but Alberta projected a continued deficit over the full two-year period for which it issued a forecast, without a projected return to balance. The Northwest Territories, in recognition of its precarious revenues resulting from a dependence on resources, forecasted its first deficit in 2018-19 if no action was taken, and enlisted advice from the local population concerning expenditure pressures.

Nunavut, the Northwest Territories, and Yukon were apparently caught unawares by an announcement in late 2015 that a significant amount of federal transfer payments would be cut. Although the federal government later promised that most of the transfers to the territories would be restored, the reductions in payments were not completely reversed. For example, it is expected that Yukon's funding cuts will be decreased from $23 million to $16.5 million, but the federal government did not specify the allocation of the restored reduction to each territory.

Overall, the budgets as delivered were neither good news nor bad news for most taxpayers: the majority of tax 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. In most cases, except as outlined above, the subdued economic environment was matched by a subdued response to both revenue increases and expenditures. Efforts were made to balance budgets, but the sharp decline in crude oil prices since mid-2014 put pressure on fiscal restraint. Balanced budgets inspire confidence in investors and consumers, and most provincial and territorial jurisdictions arrived at close to a balanced budget without significantly increasing tax revenue. Tax expenditures such as tax credits were by and large tightened though, and major expenditures such as those for health were either held at the prior year's level or modestly increased.

International trade and investment are vital to the continued growth of the Canadian economy. But global growth continued to be fragile, leading to stockpiles in crude oil inventory, which in turn put downward pressure on crude oil prices. That combination presented a risk to fiscal health for a producer and net exporter of crude oil such as Canada. The United States, which is an oil producer and the largest oil consumer in the world, is in the final analysis a net importer of oil. Most analysts do not foresee a rebound in the price of crude oil until there is a decline in US oil output, which has been driven by shale oil production. Moreover, the advantage of lower crude oil prices for Canadian oil-importing provinces such as Ontario is arguably not as great as predicted. Risk to the Canadian economy also resides in the high level of household debt to income—upward of 165 percent since 2012[1] but perhaps stabilizing in that range—that has been spurred on by residential real estate investment, particularly in Vancouver and Toronto. Announcements by various parties such as the federal government and the Bank of Canada may cool those two urban markets, as have changes to the BC land transfer tax.

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.[2] 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 that is presented in the second part of this article.

Figure 1 presents similar information, and includes surpluses and deficits at the right of the figure. Each projected revenue source amount is shown as a percentage of total revenues, and the projected 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.

The provinces have exclusive powers and responsibility for education, health, and social services expenditures. Across all jurisdictions, health-care expenditures averaged about 40 percent of total expenditures, as shown in tables 1 and 2. For example, for the 2016-17 fiscal year, Ontario's projected health-care and long-term care expenditures were $51,785 million or 38.68 percent of total expenditures of $133,895 million. In contrast, for the territories, projected spending on health care in 2016-17 accounted for 19.48 percent of total expenditures for Nunavut, 24.91 percent for the Northwest Territories, and 36.97 percent for Yukon. However, on a per capita basis, the results appeared to reverse: about $3,700 per capita in Ontario (in 2015-16, $3,700; 2014-15, $3,700; and 2013-14, $3,600) versus $9,100 to $12,400 per capita in the territories (in 2015-16, $9,100 to $10,200; 2014-15, $8,600 to $9,200; and 2013-14, $8,400 to $9,500).[3]

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1 Tamsin McMahon, "First-Time Homeowners Driving Higher Household Debt: Study," *Globe and Mail*, December 9, 2015.

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

3 See Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2013-14," Finances of the Nation feature (2014) 62:3 *Canadian Tax Journal* 771-812, at 774; Vivien Morgan, "Survey of

TABLE 1 Provincial and Territorial Revenues and Expenditures, Budget Projections, Fiscal Year 2016-17

Province/territory	Tax revenue	Federal transfers	Other sources of revenue[a]	Total revenues	Total expenditures	Adjustments[b]	Surplus/ (deficit)
				millions of dollars			
Ontario	91,819	24,644	14,126	130,589	(133,895)	(1,000)	(4,306)
Quebec	63,708	20,180	18,678	102,566	(100,138)	(400)	2,028
British Columbia	24,304	8,008	15,754	48,066	(47,452)	(350)	264
Alberta	21,767	7,278	12,331	41,376	(51,097)	(700)	(10,421)
Manitoba[c]	8,004	4,108	3,118	15,230	(16,291)	150	(911)
Saskatchewan	6,861	2,505	4,658	14,024	(14,458)		(434)
Nova Scotia	5,611	3,364	1,289	10,264	(10,146)	(101)	17
New Brunswick	4,317	2,960	1,442	8,719	(8,966)	(100)	(347)
Newfoundland and Labrador	3,703[d]	1,185	1,888	6,776	(8,481)	(125)	(1,830)
Prince Edward Island	903	658	149	1,710	(1,720)		(10)
Northwest Territories	274	1,391	145	1,810	(1,662)	(30)	119
Yukon	112	946	198	1,256	(1,247)		9
Nunavut	109	1,548	81	1,738	(1,735)	(14)	(11)

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 Manitoba's budget speech reported a deficit of $890 million for the core government.
d Newfoundland and Labrador's tax revenue included mining tax revenue and royalties of $53 million, just over one-third of the amount shown in the prior year.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21. See below for further details. Differences are due to rounding.

TABLE 2 Provincial and Territorial Health-Care Expenditures, Budget Projections, Fiscal Years 2014-15, 2015-16, and 2016-17

	Health-care expenditures			Percentage of total expenditures		
Province/territory	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
	millions of dollars					
Ontario	50,055	50,771	51,785	38.39	38.49	38.68
Quebec	37,264[a]	37,688	38,372	38.24	38.23	38.32
British Columbia	18,683	19,061	19,638	42.06	41.59	41.38
Alberta	18,294	19,684	20,414	45.24	39.44	39.95
Manitoba	5,791	6,088	6,497	38.26	39.19	39.88
Saskatchewan	5,356	5,507[b]	5,588	38.25	38.86	38.65
Nova Scotia	4,105	4,138	4,132	41.31	41.28	40.73
New Brunswick	2,613	2,617	2,602	31.01	30.31	29.02
Newfoundland and Labrador	2,399	2,683[c]	2,676	30.64	33.25	31.55
Prince Edward Island	581	587	617	35.06	35.17	35.87
Northwest Territories	392	407	414	24.30	24.70	24.91
Yukon	338	372	461	29.60	30.32	36.97
Nunavut	311	335	338	20.29	20.07	19.48

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.

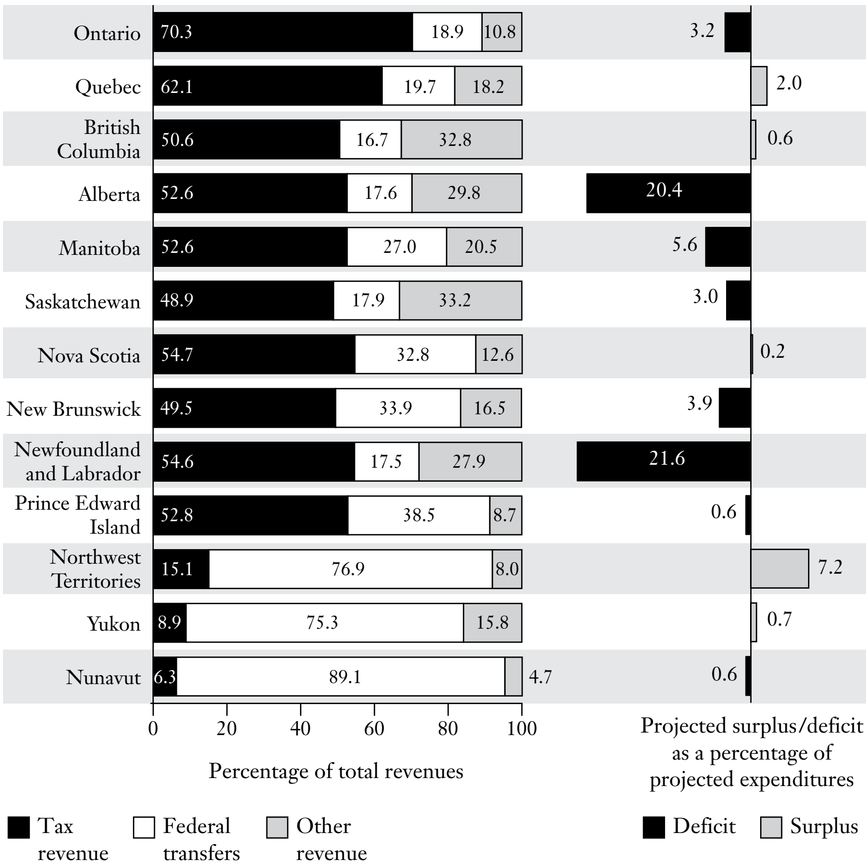
a Quebec accounting was changed after the 2013-14 budget; amounts for the 2014-15 fiscal year were reported on a consolidated basis, showing general fund plus consolidated entities. Using 2013-14 accounting, Quebec's projected health-care expenditure for 2014-15 would be $32,346 million.

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

c The figure shown in the Newfoundland and Labrador provincial estimates included an amount for debt servicing. The health-care amount was reduced pro rata from $3,026 million.

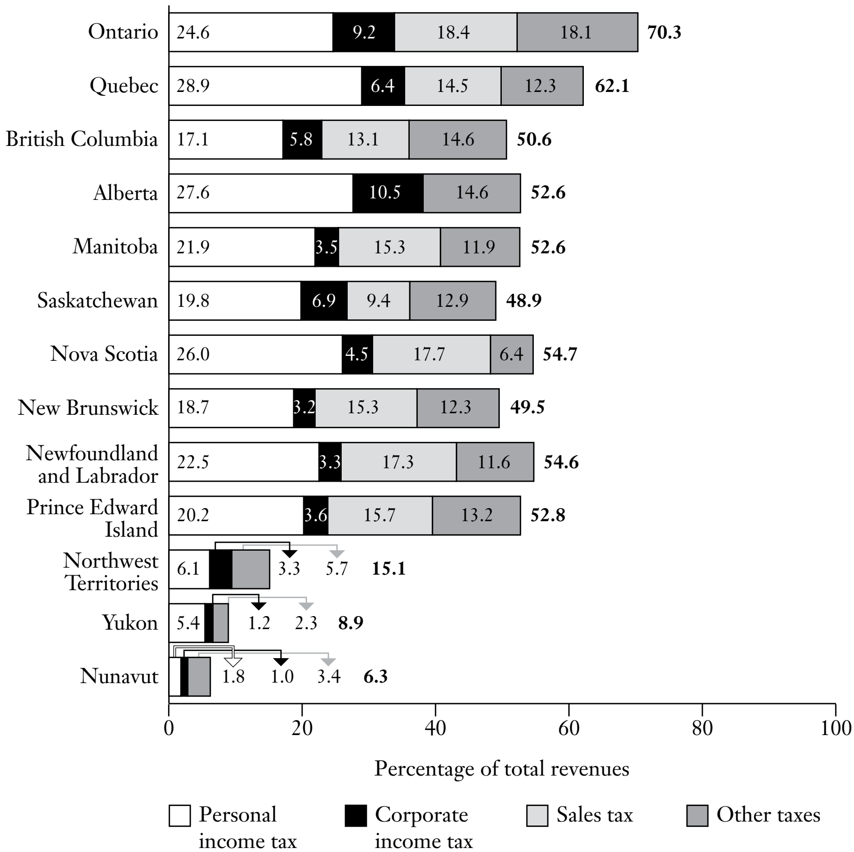
Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21. See those tables for further details.

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 2016-17



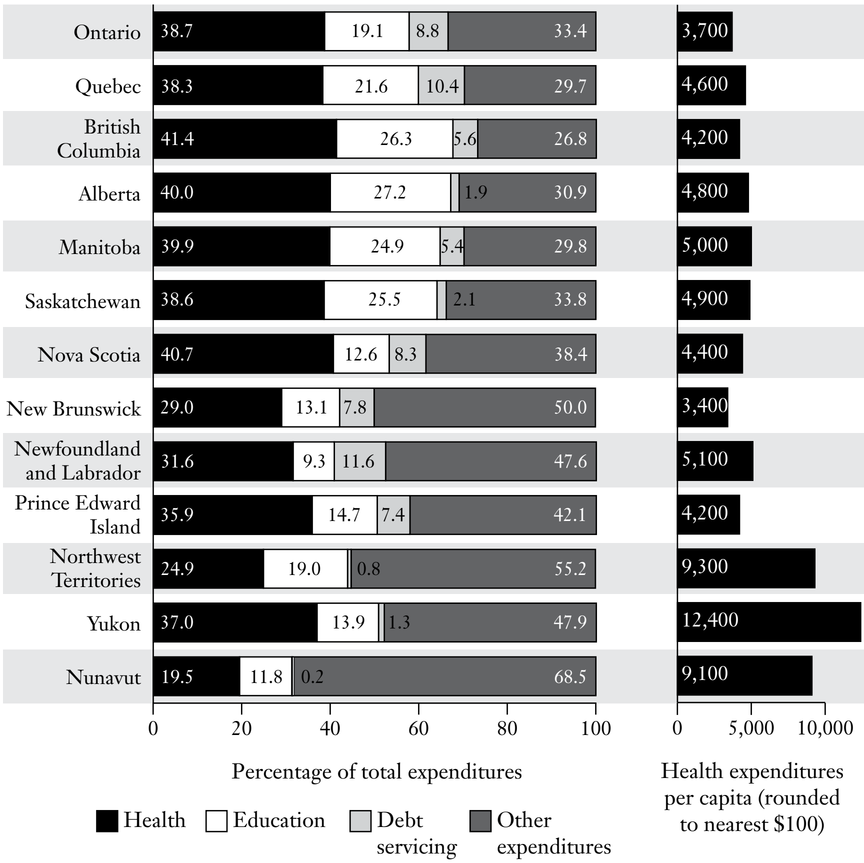
Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21 and the data summary in table 1.

FIGURE 2 Projected Provincial and Territorial Tax Revenues by Source as a Percentage of Total Revenues, Fiscal Year 2016-17



Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21.

FIGURE 3 Projected Provincial and Territorial Expenditures by Spending Category as a Percentage of Total Expenditures, Fiscal Year 2016-17



Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21.

Table 3 sets out the provincial and territorial surpluses and deficits since the (revised) budget projections for 2014-15.[4] The table also shows various figures set out in the 2016-17 budgets: the projected surplus or deficit for the fiscal period, and any planned or targeted surpluses or deficits for up to five ensuing fiscal years. Most jurisdictions that projected beyond the 2016-17 fiscal year planned for a surplus within the following four years. Ontario forecasted a deficit in 2016-17, which materialized, and a flat budget in 2017-18. In its October 2015 budget, Alberta forecasted a current deficit in 2016-17 and in the following two years, its only projections. Manitoba determined that it will balance its budget within eight years.

On the basis of budget projections for each province and territory, projected income tax revenue in the 2016-17 budgets of all provinces and territories aggregated $93.9 billion from personal income tax and $28.3 billion from corporate income tax, for total revenue of $122.3 billion from income tax, and projected sales tax revenue aggregated $53.4 billion. Thus, just as in the year before, the provinces and territories expected to collect slightly more tax revenue from personal income tax than from corporate income tax and sales tax combined. In comparison, the 2016-17 federal budget projected $151.8 billion of revenue from personal income tax, $39.5 billion from corporate income tax, plus $6.5 billion from non-resident income tax, for a total of $197.8 billion, and $34.6 billion from sales tax.[5] And, just as in the year before, the federal government projected that it would have almost twice as much revenue from personal income tax as it would have from corporate income tax, non-resident income tax, and goods and services tax (GST) combined.

Table 4 shows the corporate income tax rates in the provinces and territories for 2016.

From a personal income tax perspective, in prior years three provinces increased their income brackets for high income earners—British Columbia (for 2014 and 2015), Ontario (from 2012 and 2014),[6] and Quebec (from 2013)—and Nova Scotia

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Provincial and Territorial Budgets, 2014-15," Finances of the Nation feature (2015) 63:1 *Canadian Tax Journal* 157-215, at 162; and Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2015-16," Finances of the Nation feature (2016) 64:1 *Canadian Tax Journal* 147-206, at 149. The population figures were taken from Statistics Canada, as of the first quarter of 2016. Because the budgets were estimated for 2016-17 and the population data were collected at slightly different dates, the per capita figures were rounded.

4 See Morgan, "Survey of Provincial and Territorial Budgets 2015-16," supra note 3, table 1.

5 Canada, Department of Finance, 2015 Budget, Budget Plan, April 21, 2015, at 364, table 5.2.5.

6 Ontario's top bracket was increased in its 2012 budget: Ontario tax of 12.16 percent applied on taxable income over $500,000. The rate was planned to increase to 13.15 percent thereafter, resulting in a combined federal-provincial rate of 49.52 percent. The bracket was said to be temporary and would be eliminated when the Ontario budget was balanced—scheduled for 2017-18. The 2014 budget increased personal income tax to 12.16 percent for an individual whose taxable income was in the range of $150,000 to $220,000. The top rate of 13.16 percent applied to taxable income exceeding $220,000, down from $514,090. The brackets for income of $150,000 and over were not to be indexed, and the new rate for those brackets was not said to be temporary.

TABLE 3 Revised, Projected, and Planned Provincial and Territorial Surpluses and Deficits, 2014-15 and Onward

Province/territory	2014-15 budget (revised)	2015-16 budget (revised)	2016-17 budget	2017-18 plan	2018-19 plan	2019-20 plan	2020-21 plan	2021-22 plan	2022-23 plan
					millions of dollars				
British Columbia	879	377	264	287	373				
Alberta[a]	1,115	(6,393)	(10,421)	(10,131)	(8,351)				
Saskatchewan	71	107	(434)	6	55	97			
Manitoba[b]	(357)	(422)	(911)						
Ontario	(12,505)	(8,512)	(4,306)	nil	nil				
Quebec[c]	(2,350)	1,586	2,028	2,504	2,882	3,311	3,754		
New Brunswick	(391)	(477)	(347)	(267)	(167)	(49)	21		
Nova Scotia	(279)	(98)	17	21	79	133			
Prince Edward Island	(40)	(28)	(10)[d]	9	25				
Newfoundland and Labrador	(538)	(1,093)	(1,830)	(800)	(650)	(500)	(250)	0	100
Northwest Territories	200	147	119	160	76	53			
Yukon	72	23	9	20	29	18			
Nunavut[e]	36	23	(11)						

a The newly elected NDP government (May 5, 2015) issued a fiscal update for the 2015-16 year. Projections for future years were included in a revised 2015-16 budget in October 2015.

b Manitoba's projections in 2015 do not include other government entities. The 2016 budget figure shown is for the government reporting entity; no forecast is included but the government anticipated a balanced budget in eight years.

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.

d Prince Edward Island's accounting for the 2016-17 fiscal year was changed; reclassifications for the preceding year appear in appendix III of the estimates.

e The three-year forecast in the 2016 budget does not include revolving fund revenues and expenditures. It shows a deficit of ($65.781 million) in 2016-17 and ($31.668 million) in 2017-18, and a surplus of $93.979 million in 2018-19.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21.

TABLE 4 Provincial and Territorial Corporate Income Tax Rates, 2016

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	12.0	12.0	3.0	500,000
Saskatchewan	12.0	10.0	2.0	500,000
Manitoba	12.0	12.0	0.0	450,000
Ontario	11.5	10.0[b]	4.5	500,000
Quebec	11.9	11.9	8.0 or 4.0	500,000
New Brunswick	13.5	13.5	3.62[c]	500,000
Nova Scotia	16.0	16.0	3.0	350,000
Prince Edward Island	16.0	16.0	4.5	500,000
Newfoundland and Labrador	15.0[d]	15.0	3.0	500,000
Northwest Territories	11.5	11.5	4.0	500,000
Yukon	15.0	2.5	3.0 or 1.5[e]	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 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.

c The New Brunswick small business rate applies to a small business whose taxable capital does not exceed $15 million.

d The general rate was increased and the M & P rate was eliminated starting in the 2016 calendar year.

e In Yukon, the 1.5 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 9-21.

(from 2010) continued its higher rate for taxpayers in its top bracket. In their 2015-16 budgets, Alberta, New Brunswick, Newfoundland and Labrador, and Yukon ushered in new personal income tax rates for high income earners. In 2016, Newfoundland and Labrador increased its tax rates on all of its tax brackets for 2016, and for 2017 in most cases, it increased those rates more than existing proportions. Newfoundland and Labrador also imposed a temporary deficit reduction levy that increased with higher tax brackets. Although all jurisdictions have marginal tax rates that increase with higher income, a minority of jurisdictions do not specifically impose what has been characterized as a higher tax rate on high income earners. However, Prince Edward Island imposes a surtax on high income earners, and Nunavut and the Northwest Territories have higher brackets than some other jurisdictions. Saskatchewan already has a tax bracket that could be said to impose a higher rate on high income earners, as does British Columbia, and several provinces impose a high rate at a low level of taxable income. A higher rate planned for high income earners did not materialize in Manitoba when the former government was not re-elected. 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 graphic form in figure 4 as a function of taxable income. Table 5 sets out the provincial and territorial personal income tax rates for 2016.

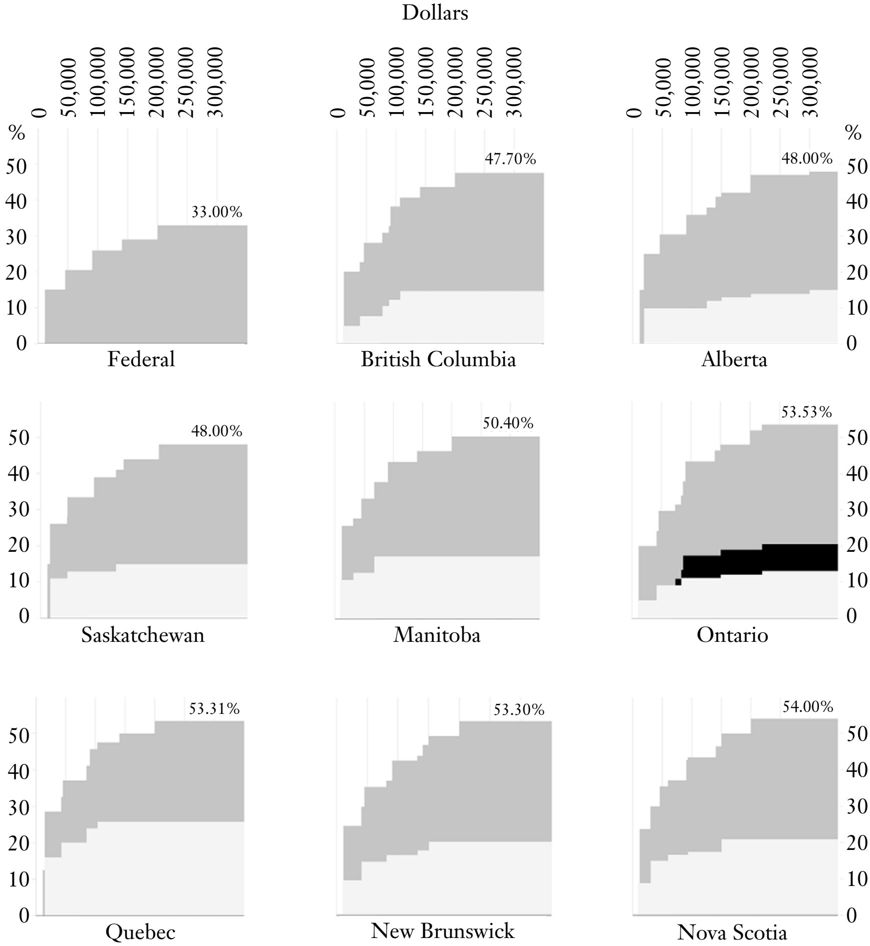
British Columbia, Saskatchewan, and Manitoba imposed a provincial sales tax (PST). Ontario and the Atlantic provinces—Newfoundland and Labrador, Nova Scotia, New Brunswick, and Prince Edward Island—are harmonized sales tax (HST) participating provinces, which harmonize their sales tax with the federal GST. Quebec has its own Quebec sales tax (QST), which applies in a manner similar to the GST. Alberta and the territories do not impose sales taxes. Table 6 summarizes the sales tax rates across the provinces and territories in 2016. Each of New Brunswick, Prince Edward Island, and Newfoundland and Labrador increased the provincial portion of its HST so that the combined HST rate in each province is 15 percent, the same rate as in the other Atlantic province, Nova Scotia. New Brunswick and Newfoundland and Labrador increased their HST rates by 2 percentage points; Prince Edward Island increased its HST rate by 1 percentage point.

PROVINCIAL AND TERRITORIAL BUDGETS BY JURISDICTION

Table 7 shows the various dates for the original 2016-17 budgets in each province and territory, the name and title of the person who announced the budget, and the announced estimated surplus or deficit.

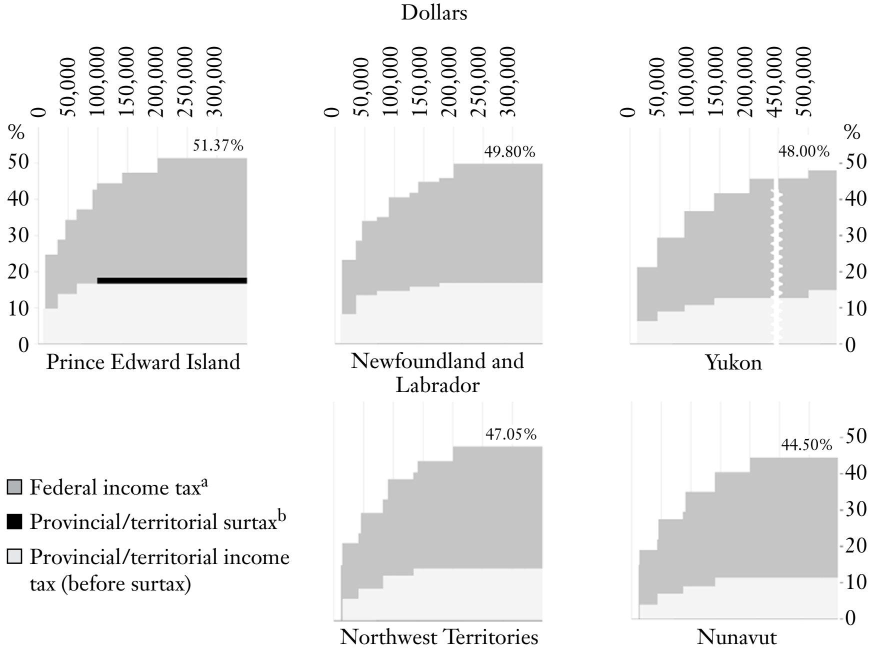
Table 8 sets out the research and development (R & D) tax credits in each province and territory, as updated for the 2016 budgets. The table details rates, whether the credit is refundable or otherwise eligible for carryforward, and the carryforward period. In some cases, the credit is also available to an individual.

FIGURE 4 Personal Income Tax Marginal Rates Applicable to Taxable Income



(Figure 4 is concluded on the next page.)

FIGURE 4 Concluded



a For Quebec, federal income tax has been reduced by the 16.5% provincial abatement.
b Surtax calculations assume that the only credit claimed reflects applicable basic personal amounts.

Source: PricewaterhouseCoopers LLP, Tax Facts and Figures: Canada 2016 (Toronto: PwC, 2016), at 4.

TABLE 5 Provincial and Territorial Personal Income Tax Brackets and Rates, 2016

Province/territory	Tax bracket	Rate	Surtax (percentage of regular tax) and top combined rate
	dollars	*percent*	
British Columbia	0 to 38,210	5.06	
	38,211 to 76,421	7.70	
	76,422 to 87,741	10.50	
	87,742 to 106,543	12.29	
	Over 106,543	14.70	Top combined rate of 47.70%
Alberta	0 to 125,000	10.00	
	125,001 to 150,000	12.00	
	150,001 to 200,000	13.00	
	200,001 to 300,000	14.00	
	Over 300,000	15.00	Top combined rate of 48.00%
Saskatchewan	0 to 44,601	11.00	
	44,602 to 127,430	13.00	
	Over 127,430	15.00	Top combined rate of 48.00%
Manitoba	0 to 31,000[a]	10.80	
	31,001 to 67,000[a]	12.75	
	Over 67,000[a]	17.40	Top combined rate of 50.40%
Ontario	0 to 41,536	5.05	
	41,537 to 83,075	9.15	Surtax equal to 20% of basic personal tax greater than $4,484
	83,076 to 150,000[a]	11.16	Additional surtax equal to 36% of basic personal tax greater than $5,739
	150,001 to 220,000[a]	12.16	
	Over 220,000[a]	13.16	Top combined rate of 53.53%
Quebec	0 to 42,390	16.00	
	42,391 to 84,780	20.00	
	84,781 to 103,150	24.00	
	Over 103,150	25.75	Top combined rate of 53.31%
New Brunswick	0 to 40,492	9.68	
	40,493 to 80,985	14.82	
	80,986 to 131,664	16.52	
	131,665 to 150,000	17.84	
	Over 150,000	20.30	Top combined rate of 53.30%

(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*	
Nova Scotia	0 to 29,590[a]	8.79	
	29,591 to 59,180[a]	14.95	
	59,181 to 93,000[a]	16.67	
	93,001 to 150,000[a]	17.50	
	Over 150,000[a]	21.00	Top combined rate of 54.00%
Prince Edward Island . . .	0 to 31,984[a]	9.80	Surtax equal to 10% of basic provincial tax in excess of $12,500
	31,985 to 63,969[a]	13.80	Surtax starts at taxable income of $98,145
	Over 63,969[a]	16.70	Top combined rate of 51.37%
Newfoundland and Labrador[b]	0 to 35,148	8.20	
	35,149 to 70,295	13.50	
	70,296 to 125,500	14.55	
	125,001 to 175,700	15.80	
	Over 175,700	16.80	Top combined rate of 49.80%
Northwest Territories . . .	0 to 41,011	5.90	
	41,012 to 82,024	8.60	
	82,025 to 133,353	12.20	
	Over 133,353	14.05	Top combined rate of 47.05%
Yukon	0 to 45,282	6.40	
	45,283 to 90,563	9.00	
	90,564 to 140,388	10.90	
	140,388 to 500,000	12.80	
	Over 500,000	15.00	Top combined rate of 48.00%
Nunavut	0 to 43,176	4.00	
	43,177 to 86,351	7.00	
	86,352 to 140,388	9.00	
	Over 140,388	11.50	Top combined rate of 44.50%

[a] Not indexed for inflation. Manitoba's tax brackets are indexed starting in 2017.
[b] A deficit reduction levy will be phased out over three years starting in 2018. Effective July 1, 2016.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21.

TABLE 6 Provincial and Territorial Sales Tax Rates, Percent, 2016

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[b]	5	10		15
Nova Scotia	5	10		15
Prince Edward Island[c]	5	10		15
Newfoundland and Labrador[d]	5	10		15
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 Effective July 1, 2016, the provincial portion of the New Brunswick HST was increased by 2 percentage points. A refundable sales tax credit was introduced for low-income families.

c Prince Edward Island increased the provincial portion of its HST by 1 percentage point effective October 1, 2016.

d The 2016 budget increased the provincial portion of HST from 8 percent to 10 percent, effective July 1, 2016.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21.

TABLE 7 Provincial and Territorial Surplus/(Deficit) Projections, Fiscal Year 2016-17

Province/territory	Budget date	Finance minister	Projected surplus/ (deficit)
			millions of dollars
British Columbia	February 6, 2016	Michael de Jong	264
Alberta	April 14, 2016	Joe Ceci[a]	(10,421)
Saskatchewan	June 1, 2016	Kevin Doherty	(434)
Manitoba	May 31, 2016	Cameron Friesen	(911)[b]
Ontario	February 25, 2016	Charles Sousa	(4,306)
Quebec	March 17, 2016	Carlos Leitão	2,028
New Brunswick	February 2, 2016	Roger Melanson	(347)
Nova Scotia	April 19, 2016	Randy Delorey[c]	17
Prince Edward Island	April 19, 2016	Allen F. Roach[d]	(10)
Newfoundland and Labrador	April 14, 2016	Cathy Bennett[e]	(1,830)
Northwest Territories	June 1, 2016	Robert C. McLeod	119
Yukon	April 7, 2016	Darrell Pasloski[f]	9
Nunavut	February 25, 2016	Keith Peterson	(11)

a President of the Treasury Board and minister of finance. The original 2015 budget was delivered on March 26, 2015 by the previous government and projected a deficit of $5,884 million. A fiscal update was issued on August 31, 2015 and projected a deficit of $4,991 million.

b The Manitoba budget speech announced a deficit of $890 million for the core government only.

c Minister of finance and Treasury Board.

d Minister of finance and chair of Treasury Board.

e President of Treasury Board and minister of finance.

f Premier and minister of finance.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 9-21.

TABLE 8 Provincial and Territorial Research and Development (R & D) Tax Credits, 2016

Province/territory	Amount of tax credit (%)	Is credit refundable?	Unused credits: Carryback (taxation years)	Unused credits: Carryforward (taxation years)
Alberta[a]	10	✓	na	na
British Columbia				
Qualifying CCPC[b]	10	✓	na	na
Other corporation	10	×	3	10
Manitoba	20	✓[c]/×	3	20
New Brunswick	15	✓	na	na
Newfoundland and Labrador	15	✓	na	na
Northwest Territories	No territorial R & D tax incentives			
Nova Scotia	15	✓	na	na
Nunavut	No territorial R & D tax incentives			
Ontario				
Innovation tax credit[d]	8[e]	✓	na	na
Business research institute tax credit[f]	20	✓	na	na
R & D tax credit	3.5[e]	×	3	20
Prince Edward Island	No provincial R & D tax incentives			
Quebec[g]				
R & D wage tax credit[h]	14 to 30	✓	na	na
University R & D tax credit[i]	14 to 30	✓	na	na
Private partnership pre-competitive tax credit[j]	14 to 30	✓	na	na
Tax credit on fees paid to a research consortium	14 to 30	✓	na	na
Saskatchewan	10	×	3	10
Yukon	15[k]	✓	na	na

Notes: All provincial and territorial R & D tax credits are available to a corporation. In Newfoundland and Labrador, Quebec, and Yukon, an individual can also claim the credits. When R & D is carried on by a partnership, the R & D credits are claimed by (1) the partnership, in Quebec; and (2) the partnership members (a corporation [or also an individual in Newfoundland and Labrador and Yukon]), in all other jurisdictions except Ontario, where a partnership member can only file a claim for the Ontario business research institute (OBRI) tax credit, and Alberta, where the credit cannot be claimed. Provincial and territorial tax credits are government assistance for federal tax purposes and thus reduce expenditures eligible for the federal R & D deduction and federal tax credit.

a Alberta's R & D credit is equal to 10 percent of the lesser of (1) eligible Alberta R & D expenditures and (2) the maximum expenditure level of $4 million (maximum annual credit is $400,000).

b For a qualifying Canadian-controlled private corporation, British Columbia's refundable R & D tax credit is equal to 10 percent of the lesser of (1) eligible British Columbia R & D

(Table 8 footnotes are concluded on the next page.)

TABLE 8 Concluded

expenditures and (2) the federal R & D expenditure limit (maximum annual credit is $300,000).

c Manitoba's credit is (1) fully refundable for eligible R & D expenditures incurred in Manitoba by a corporation with a permanent establishment in Manitoba under a contract with a qualifying research institute and (2) 50 percent refundable for in-house R & D expenditures.

d The Ontario innovation tax credit (OITC) is available on up to $3 million of expenditures for corporations that have taxable income under $500,000 and taxable capital under $25 million (maximum annual credit is $240,000; $300,000 for taxation years ending before June 1, 2016 [prorated for straddle taxation years; see note e]). A corporation is eligible for a partial credit if its taxable income is between $500,000 and $800,000 or its taxable capital is between $25 million and $50 million. All current expenditures are eligible. Taxable income and taxable capital thresholds are those applicable to the previous year on a worldwide associated basis.

e For eligible R & D expenditures incurred in taxation years ending before June 1, 2016 (prorated for straddle taxation years), (1) the OITC rate was 10 percent; and (2) the Ontario R & D tax credit (ORDTC) rate was 4.5 percent. The 2016 Ontario budget decreased these tax credit rates to those in the table for eligible R & D expenditures incurred in taxation years ending after May 31, 2016 (prorated for straddle taxation years).

f The OBRI tax credit applies to 20 percent of qualifying payments (up to $20 million annually on an associated basis) to an Ontario eligible research institute (maximum annual credit is $4 million).

g Quebec Canadian-controlled corporations that have fewer than $50 million in assets can claim the 30 percent rate on up to $3 million of R & D wages and/or eligible R & D expenditures for each credit; if assets held are between $50 million and $75 million, the rate is gradually reduced to 14 percent, which is the rate for all other taxpayers. The rates are higher in certain cases. Asset thresholds are those applicable in the previous year on a worldwide (consolidated) associated basis.

The tax credit rate is 14 percent for Quebec corporations controlled by non-residents. Asset thresholds do not apply.

An exclusion threshold is allocated among the Quebec R & D tax credits. For each R & D tax credit, the eligible R & D expenditures are reduced by the allocated exclusion, which varies depending on the company's assets: the exclusion is (1) $50,000 for a corporation whose assets are $50 million or less, (2) an amount that increases linearly between $50,000 and $225,000 for a corporation whose assets are between $50 million and $75 million, or (3) $225,000 for a corporation whose assets are $75 million or more. Asset thresholds are applicable to the previous year and are not applied on an associated basis.

h A payment may be eligible for the Quebec R & D wage tax credit if the payment was made to (1) an arm's-length subcontractor (up to 50 percent of the payment) or (2) a non-arm's-length subcontractor (100 percent for wages paid and 50 percent of a payment to an arm's-length subcontractor if the payment was made under the non-arm's-length contract).

i Quebec's university R & D tax credit may be available on 80 percent of a payment to an eligible entity such as a university or a public research centre.

j A payment may be eligible for the Quebec private partnership pre-competitive tax credit if it is (1) 80 percent of a payment to an arm's-length subcontractor excluding a university or a public research centre contract, (2) payment for some materials, or (3) payment for an overhead (or proxy) amount.

k Yukon's rate is 20 percent for R & D expenditures made to Yukon College.

Source: Kent B. Smith and Lucie Belanger, "Provincial and Territorial R & D Tax Credit Update" (2016) 24:8 *Canadian Tax Highlights* 4-5.

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, and where the information is accessible, 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 "tax 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, GST, 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 and for ease of reference only. Some categories may overlap (for example, categories 1, 2, and 5).

British Columbia

Tax Highlights

- No corporate income tax rate increases
- No personal income tax rate or bracket increases
- Introduced new disclosure requirements for some non-resident registrants of real estate purchases

Tax Changes

1. Corporate Income Tax

Effective February 17, 2016, a farmer's non-refundable food donation tax credit was created. The credit is 25 percent of the fair market value (FMV) of qualifying agricultural products donated to a registered charity that provides food to people in need or operates a school meal program. The credit applies to an individual and to a corporation that carries on a farming business. The credit must be claimed in the same year that a credit or reduction is claimed for the donation. The credit is available from 2016 to 2018 and will then be reviewed.

The small business venture capital tax credit budget was enhanced to encourage investment in BC small business.

The BC mining flowthrough share tax credit was extended to the end of 2016.

The BC mining exploration tax credit was extended for three years to the end of 2019. The credit was available to an individual or a corporation that undertook mining exploration in the province. The credit was 20 percent of eligible BC mining exploration expenditures (30 percent if the exploration was in a mountain pine beetle affected area).

The regional and distant location tax credits for animation productions were clarified. A credit was based on the amount of eligible labour expenditures incurred in the regional or distant location area. The change applied to both the production services tax credit and the film incentive BC tax credit for animation productions if principal photography began after June 26, 2015.

The government committed to work collaboratively with industry to limit the growth of film and television tax credits owing to the weakening of the Canadian dollar relative to the US dollar. It was expected that the cost of these credits would be even higher than in previous years, which saw an increase of 50 percent in foreign production activity, from $1.1 billion to $1.6 billion, in 2014-15. The estimated credit cost for 2015-16 was $493 million.

2. Personal Income Tax

Effective in 2017, medical services plan premiums and enhanced premium assistance assist with the cost of living. Children will be exempt from premiums, and premium assistance is expanded. The income threshold for a household's full premium assistance was increased by $2,000. Partial premium assistance was enhanced: the income threshold for full premium payment was increased by $12,000. Premiums increased by about 4 percent, by $3 per month per adult. The premium rate for a couple was twice the rate for a single adult, being $156 and $78 per month, respectively.

The BC training and education savings program grant to the registered education savings plans of eligible children born in 2006 or later was expanded. Application could be made on August 15, 2016 until August 14, 2019.

Effective for 2016, the home renovation tax credit was expanded to include a person with a disability who could claim the federal disability tax credit. The credit, of $1,000 annually, was provided to assist with the cost of home renovations to improve accessibility or to help an individual to become more functional or mobile at home, and was available to seniors and persons with disabilities, with respect to expenditures made on or after February 17, 2016.

Social assistance increased for a person with disabilities. Effective September 1, 2016, a person on disability assistance could receive up to $77 more per month.

TABLE 9 Projected Revenues and Expenditures, British Columbia, Fiscal Year 2016-17

	millions of dollars
Total revenues	48,066
Total expenditures	(47,452)
Reserve	(350)
Surplus/(deficit)	264
Revenue sources	
Personal income tax	8,216
Corporate income tax	2,791
Sales tax	6,296
Other taxes	7,001
Total tax revenue	24,304
Federal transfers	8,008
Other revenues	15,754
Total revenues	48,066
Expenditures	
Education	12,476
Health	19,638
Debt servicing	2,635
Other expenditures	12,703
Total expenditures	47,452

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

Source: British Columbia, Ministry of Finance, 2016 Budget, Budget and Fiscal Plan 2016/17-2018/19, February 16, 2016.

The BC tax reduction credit phaseout threshold was increased from $19,000 to $19,400. The phaseout rate also increased from 3.5 percent to 3.56 percent of net income. Both changes were effective in 2016.

The top personal income tax rate—16.8 percent on taxable income over $151,050—was reduced after 2015. The original increase had been promised to be temporary, for two fiscal years only. The new top rate is 14.7 percent on income over $106,543, effective beginning in 2016.

3. *Sales Tax*

Effective February 17, 2016, telescopic handlers, skid steers, and polycarbonate greenhouse panels obtained by a qualifying farmer for use solely for a farm purpose were PST-exempt. Panels must be purchased in a minimum quantity of 500 square metres.

4. *Sin Taxes*

No changes were announced.

5. Resource-Related Matters

In the past, certain persons were required to pay security for BC carbon tax and motor fuel tax, equal to the amount of tax that would be payable if the purchaser was taxable. A refund of the amount paid as security was available if the fuel was sold to an exempt purchaser. For some persons and in some circumstances, an exemption from security payable on carbon tax and motor fuel tax became effective March 1, 2016. A collector was security-exempt if he or she sold fuel in British Columbia to a person who was security-exempt. A deputy collector was security-exempt on the purchase of fuel in British Columbia if the fuel was to be sold outside British Columbia and was to be removed from the province by

1. the person who sold the fuel to the deputy collector,
2. a person acting on behalf of a person described in 1 above,
3. a common carrier under a contract entered into when the deputy collector bought the fuel,

or in prescribed circumstances.

The Revenue Neutral Carbon Tax Report, for 2014-15 and 2015-16, and the Revenue Neutral Carbon Tax Plan, for 2016-17 to 2018-19, were reproduced in the budget papers.

6. Real Estate Taxes

For registrations on or after February 17, 2016, an exemption from land transfer tax was expanded to include a new full exemption on a newly constructed home (including a condominium) priced up to a finished FMV of $750,000 if the purchaser lived in the home for one full year after the purchase date. Partial exemptions or refunds were available for properties up to $800,000. The exemption or refund also applied to persons who were new residents of the province. A third tier to the land transfer tax rates was added on February 17, 2016 to offset the new exemption, increasing the rate from 2 percent to 3 percent if the property's FMV exceeded $2 million. (The first tier of 1 percent on the first $200,000 and 2 percent up to $2 million continued to apply.)

Effective in the spring of 2016, information required on the registration of a taxable transaction in property under the Property Transfer Tax Act identified a foreign purchaser, defined as a purchaser who was not a Canadian citizen or a permanent resident of Canada. In the case of a corporate purchaser, the corporation must disclose the citizenship of a director who was not a Canadian citizen or permanent resident. The name, address, and citizenship of individuals and directors of corporations for the settlor and beneficiaries of a bare trust must be disclosed, because subsequent transfers through revisions to trust documents and share transfers would not be subject to property transfer tax. Data would be shared with the Canada Revenue Agency (CRA) under the existing exchange-of-information agreement between British Columbia and Canada.

Effective August 2, 2016, and seemingly developed after the budget, British Columbia imposed an additional 15 percent land transfer tax on residential property transferred to a foreign entity in the Greater Vancouver Regional District.

The Tourist Accommodation (Assessment Relief) Act was amended. Effective for 2017, the reduction in assessed value for eligible short-term accommodation property outside a municipality was increased from $150,000 to $500,000. The benefit phaseout began at an assessed value of $4 million, increased from $2 million.

The longstanding policy for average residential school property tax rates continued at the previous year's provincial inflation rate, and the rate was set when revised assessment roll data became available in the spring.

According to longstanding policy, non-residential school property tax rates were increased by the rate of inflation plus an increase reflecting the value of new construction. The industrial base increase is almost exclusively due to new construction: the base is declining because existing buildings and improvements must be depreciated. The rate is determined from the amount of tax required and the tax base. Rates were set when revised assessment roll data became available in the spring. However, both the major and light industry class school property tax rates were set the same as the business class tax rate, consistent with the policy in the 2008 budget.

The single rural residential property tax rate increased by the previous year's provincial inflation rate in accordance with longstanding policy. The rate was set when revised assessment roll data became available in the spring.

The rural non-residential property tax rates increased by the previous year's provincial inflation rate plus new construction (as set out above), in accordance with longstanding policy. Rates were set when revised assessment roll data became available in the spring.

7. Pensions

No changes were announced.

8. Other

The 2016 budget established the BC Prosperity Fund with an initial $100 million from the forecasted surplus in 2015-16 to help eliminate BC provincial debt; to invest in health care, education, transportation, family supports, and other priorities; and to preserve a share of today's prosperity for future generations. The BC government promises to allocate at least 50 percent annually to debt reduction. Liquefied natural gas (LNG) revenues will eventually be added to the fund when the province has secured a final investment decision from prospective LNG investors.

Federal changes to the taxation of trusts and estates were parallelled effective for taxation years ending after 2015. Graduated rates applied only to graduated rate estates and qualified disability trusts as defined federally. The top BC marginal personal income tax rate was 14.7 percent.

The BC minister of finance established a Commission on Tax Competitiveness to study whether the province's taxation regime had kept and would keep pace with the province's changing economy into the 21st century. The commission was charged with identifying the ways in which the provincial economy was changing and to evaluate the current tax structure in that context. The commission would consult with British Columbians and make recommendations in the fall of 2016. A return to an HST was specifically excluded from the commission's scope of work.

Alberta

Tax Highlights

- Small business tax rate reduced to 2 percent after 2016
- New carbon levy introduced to reduce greenhouse gas (GHG) emissions
- The dividend tax credit rate reduced for non-eligible dividends

Tax Changes

1. Corporate Income Tax

The capital investment tax credit will benefit a corporation that invests in eligible capital assets. The two-year program for the 10 percent non-refundable tax credit (of up to $5 million) will benefit spending on property or other capital in eligible industries such as value-added agriculture, manufacturing and processing (M & P), tourism infrastructure, and culture. Details will be announced later in 2016.

The small business rate will be reduced to 2 percent from 3 percent effective in 2017.

2. Personal Income Tax

The Alberta investor tax credit will benefit an investor in eligible small and medium-sized enterprises in Alberta. Alberta promised to announce details later in 2016.

The new Alberta child benefit (ACB) and the enhanced Alberta family employment tax credit (AFETC) came into effect in July 2016; both were announced in budget 2015. Indexation of the AFETC started in July 2016. The rate at which benefits were phased in increased from 8 percent to 11 percent. The phaseout threshold rose from $36,778 to $41,250. Indexation of the ACB and the enhanced AFETC phaseout threshold will begin in July 2017.

Income tax brackets would not be indexed until 2017. The first year of the new graduated rate structure was 2016.

The provincial dividend tax credit for qualifying eligible dividends remained at 10 percent. Effective January 1, 2017, the rate for non-eligible dividends decreases to 2.23 percent from 3.08 percent (in 2016) as a result of the decreased small business rate; thus, income earned by a small business corporation and paid to a shareholder would be taxed, at a minimum, at the lowest provincial personal income tax rate (10 percent).

3. Sales Tax

No sales tax is imposed by Alberta. No changes were announced.

TABLE 10 Projected Revenues and Expenditures, Alberta, Fiscal Year 2016-17

	millions of dollars
Total revenues	41,376
Total expenditures	(51,097)
Reserve	(700)
Surplus/(deficit)	(10,421)
Revenue sources	
Personal income tax	11,405
Corporate income tax	4,325
Sales tax	na
Other taxes	6,037
Total tax revenue	21,767
Federal transfers	7,278
Other revenues	12,331
Total revenues	41,376
Expenditures	
Education	13,906
Health	20,414
Debt servicing	996
Other expenditures	15,781
Total expenditures	51,097

Notes: The figures showed only net operational revenues and expenditures, including net income of government business enterprises. Debt-servicing costs related to general debt only. "Other revenues" included non-renewable resource revenue of $1,364 million. The budget was presented on a fully consolidated basis, which includes school boards, universities and colleges, health entities, and the Alberta Innovates corporations. The risk adjustment in the fiscal plan was included to recognize the potential impact of world oil markets on the province's resource revenue.

Sources: Alberta, Ministry of Treasury Board and Finance, 2016-2017 Budget, Fiscal Plan, April 14, 2016.

4. *Sin Taxes*

No changes were announced.

5. *Resource-Related Matters*

A carbon fee (carbon price) will be imposed for large final emitters. Fuel such as natural gas, transportation fuel, and heating fuel (natural gas and propane) consumed for combustion purposes will be subject to a carbon levy effective January 1, 2017. The levy reflects a price of $20 per tonne of carbon dioxide-equivalent emissions in 2017 (rising to $30 per tonne on January 1, 2018) and applies to fossil fuels that produce GHG emissions when the fuel is combusted. The applicable rates are shown in the table below.

Carbon levy rates—major fuels

Type of fuel	*January 1, 2017 rate ($20/tonne)*	*January 1, 2018 rate ($30/tonne)*
Diesel	5.35 ¢/L	8.03 ¢/L
Gasoline	4.49 ¢/L	6.73 ¢/L
Natural gas	1.011 $/GJ	1.517 $/GJ
Propane	3.08 ¢/L	4.62 ¢/L

L = litre; GJ = gigajoule.

Source: Alberta, Ministry of Treasury Board and Finance, 2016-2017 Budget, Fiscal Plan, April 14, 2016, at 5.

The table sets out the rates on major fuels; a full list was contained in the budget. Some exemptions to the carbon levy apply: for example, natural gas produced and consumed on site (until January 1, 2023); marked gasoline and diesel used by farmers; biofuels; fuel used in interjurisdictional flights; heating fuel used at specified gas emitters regulation (SGER)/performance standard sites; fuel purchased on-reserve for indigenous use; exported fuel; and fuel used in some industrial processes that do not release GHG emissions. Consumer purchases of electricity were not affected.

The administration costs of the carbon levy will be minimized by its administration through a structure similar to Alberta's fuel tax for transportation and other refined fuels. For heating fuels, the levy will be administered higher up the distribution chain to reduce costs for both government and payer. The natural gas carbon levy will be administered in the natural gas distribution system. For other fuels such as natural gas liquids and coal, producers and importers will be responsible for the carbon levy's administration, collection, and remittance.

Effective January 2017, the climate leadership adjustment rebate would protect lower- and middle-income Albertans (60 percent of households) from the carbon levy's higher fuel costs. The rebate would provide $200 for an adult, $100 for a spouse (or an additional rebate for a single parent), and $30 for each child under 18 in the household to a maximum of four. In 2018, to reflect the increase in the carbon levy when the carbon price rises to $30 per tonne, the rebate will increase by 50 percent.

The refundable non-taxable rebate begins to phase out at $47,500 in net family income for singles and $95,000 for families. The rebate will be paid quarterly for an amount of $400 or more; twice a year for an amount between $200 and $400; or annually for an amount between $100 and $200. No rebate will be paid for amounts under $100. A rebate is available to an Alberta resident who filed a 2015 tax return and met income limits. The rebate is not indexed.

Carbon emissions of large industrial emitters will still be subject to the SGER framework until the end of 2017. At that time, the province will transition to product- and sector-based performance standards. Large industrial emitters paid a carbon price of $20 per tonne of GHG emissions over their target as of January 1, 2016, rising to $30 per tonne on January 1, 2017.

6. Real Estate Taxes

Alberta's education property tax revenue increased, but the 2016 residential/farmland rate decreased to $2.48 from $2.50 per $1,000 of equalized assessment. The non-residential rate fell to $3.64 from $3.67 per $1,000 of equalized assessment.

7. Pensions

No changes were announced.

8. Other

A 1 percentage point increase in insurance premiums tax to 3 percent on contracts for life, accident, and sickness insurance and to 4 percent for other insurance took effect on April 1, 2016; the change was announced in the 2015 budget.

Saskatchewan

Tax Highlights

- No tax increases

Tax Changes

1. Corporate Income Tax

No changes were announced.

2. Personal Income Tax

The "graduate retention program first home plan" was introduced to allow an eligible graduate to use up to $10,000 of his or her future graduate retention program tax credits as an interest-free loan toward the down payment on his or her first home in Saskatchewan. A graduate repays the loan based on the amount of graduate retention program tax credits that he or she is allowed in the year. The tax credits are non-refundable and carried forward for up to 10 years, and can rebate up to $20,000 in tuition fees for a post-secondary graduate who stays in Saskatchewan after graduation.

The active families benefit was eliminated. Community-based organizations were considered to be more effective at helping children from lower-income families than the refundable income tax credit.

The tax on dividends remained about the same despite a federal change that would have increased provincial tax on dividend income. The rate was revised to 23.172 percent of the federal gross-up, resulting in a tax credit of 3.367 percent of the taxable dividend (3.939 percent of the actual dividend). In 2015, the rate was 22.29 percent of the federal gross-up, resulting in a tax credit of 3.40 percent of the taxable dividend (4.01 percent of the actual dividend).

TABLE 11 Projected Revenues and Expenditures, Saskatchewan, Fiscal Year 2016-17

	millions of dollars
Total revenues	14,024
Total expenditures	(14,458)
Surplus/(deficit)	(434)
Revenue sources	
Personal income tax	2,775
Corporate income tax	968
Sales tax	1,312
Other taxes	1,806
Total tax revenue	6,861
Federal transfers	2,505
Other revenues	4,658
Total revenues	14,024
Expenditures	
Education	3,688
Health	5,588
Debt servicing	297
Other expenditures	4,885
Total expenditures	14,458

Notes: Saskatchewan's summary budget presentation includes government core operations, government service organizations (such as ministries, boards of education, and health regions), and government business enterprises (such as Crown corporations). "Other revenues" included non-renewable resource revenue of $1,485 million for 2016. Debt servicing is for general debt. The debt servicing from government business enterprises has been netted against the net income from government business enterprises, which is included in the revenue figure above and has not been set out separately ($301.6 million) as it was in the 2014-15 provincial budget.

Source: Saskatchewan, Ministry of Finance, 2016-2017 Budget, June 1, 2016.

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.

Manitoba

Tax Highlights

- No new taxes or tax increases
- Indexation of personal income tax brackets and basic personal amount

Tax Changes

1. Corporate Income Tax

The small business venture capital tax credit, set to expire on December 31, 2016, was extended three years. Available to Manitoba-resident individuals and corporations, the credit promotes the acquisition of equity capital in emerging enterprises. The province committed to review the program to improve accessibility for Manitoba companies.

The green energy equipment tax credit was expanded to encompass gasification equipment and equipment for co-generation of energy using biomass fuel. The refundable credit is 15 percent of the acquisition cost.

Manitoba committed to review the interactive digital media tax credit with a focus on enhancing its eligibility criteria for larger digital media companies that establish a significant job-creating presence in Manitoba.

2. Personal Income Tax

The personal income tax brackets will be indexed starting in 2017, using the Manitoba consumer price index for the period October 2015-September 2016. The indexing factor will be set for the subsequent year in November 2016. Indexation will continue in subsequent years.

Beginning in 2017, the basic personal amount will be indexed. The basic personal amount of $9,134 in 2016 increases to about $9,292 in 2017, based on a projected index factor of 1.73 percent.

A new higher rate on high-income taxpayers did not materialize. The former government was not re-elected, and thus its pre-election commitment to tax high-income taxpayers at a special high rate did not reach fruition.

3. Sales Taxes

An out-of-province business that held an inventory of taxable goods in Manitoba for sale to Manitoba customers was required to have registered to collect and remit retail sales tax, effective June 1, 2016.

The exemption for temporary museum and art gallery exhibits was expanded to include permanent exhibit acquisitions by a museum or art gallery whose revenue is

TABLE 12 Projected Revenues and Expenditures, Manitoba, Fiscal Year 2016-17

	Core government	GRE
	millions of dollars	
Total revenues	12,578	15,230
Total expenditures	(13,538)	(16,291)
In-year adjustments/lapse	70	150
Surplus/(deficit)	(890)	(911)
Revenue sources		
Personal income tax	3,339	3,339
Corporate income tax	529	529
Sales tax	2,325	2,328
Other taxes	1,393	1,808
Total tax revenue	7,586	8,004
Federal transfers	3,845	4,108
Other revenues	1,147	3,118
Total revenues	12,578	15,230
Expenditures		
Education	2,734	4,061
Health	5,990	6,497
Debt servicing	230	874
Other expenditures	4,584	4,859
Total expenditures	13,538	16,291

Notes: The summary budget's government reporting entity (GRE) included core government, Crown corporations, 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.) Expenditures for health and education were shown by department. The budget speech reported the deficit for the core government. The numbers used in tables 1, 2, and 7 and figures 1-3 of this article are for the government reporting entity.

Source: Manitoba, Department of Finance, 2016 Budget, May 31, 2016.

greater than 50 percent by donations, grants, or government funding, effective June 1, 2016.

Contractors that manufacture and install residential kitchen cabinets became eligible to calculate the sales tax on the manufacturing cost of the cabinets using one of two methods: the general manufacturing formula for goods installed into realty, or a simplified formula equal to 70 percent of the total contract price (excluding GST and sales tax previously paid on materials).

4. *Sin Taxes*

No changes were announced.

5. *Resource-Related Matters*

No changes were announced.

6. Real Estate Taxes

Starting in 2016, the seniors' school tax rebate was reduced by 2 percent of net family income for senior households whose income exceeded $40,000; at $63,500 of net family income, the rebate was fully phased out. The maximum rebate available remained at $470 of net school taxes, after claims for the basic and seniors' education property tax credits were taken into account. Retroactive claims can be made for up to three past years (the claim cannot predate the 2016 rebate). The rebate and the seniors' education property tax credit were delivered through annual income tax returns: thus, the 2016 rebate is claimed in the 2016 income tax return, which is usually filed in the spring of 2017, and a separate application for the rebate is no longer necessary.

7. Pensions

No changes were announced.

8. Other

Manitoba promised to enhance enforcement and administrative measures under the Tax Administration and Miscellaneous Taxes Act and the Retail Sales Tax Act.

The government committed to a value-for-money review of its personal and business tax credit system. The government also committed to work with the CRA to reduce the cost of administering those credits.

The Balanced Budget, Fiscal Management and Taxpayer Accountability Act is to be repealed and replaced with legislation that, inter alia, restores the right to vote on major tax increases to Manitoba taxpayers. The proposed legislation is expected to be included in the 2017-18 budget.

Ontario

Tax Highlights

- No corporate or personal tax rate changes
- R & D credit rates reduced
- Some personal income tax credits and rates reduced
- Increases in tobacco tax and alcohol markups and taxes

Tax Changes

1. Corporate Income Tax

As part of the Program Review, Renewal, and Transformation (PRRT) process, Ontario reduced its R & D tax credit (ORDTC) and its innovation tax credit (OITC) effective for eligible R & D expenditures incurred in a taxation year that ended on or after June 1, 2016. The non-refundable ORDTC rate decreased from 4.5 percent to 3.5 percent, and the refundable OITC rate decreased from 10 percent to 8 percent. Each of the

TABLE 13 Projected Revenues and Expenditures, Ontario, Fiscal Year 2016-17

	millions of dollars
Total revenues	130,589
Total expenditures	(133,895)
Reserve	(1,000)
Surplus/(deficit)	(4,306)
Revenue sources	
Personal income tax	32,167
Corporate income tax	12,050
Sales tax	23,976
Other taxes	23,626
Total tax revenue	91,819
Federal transfers	24,644
Other revenues	14,126
Total revenues	130,589
Expenditures	
Education	25,636
Health	51,785
Debt servicing	11,756
Other expenditures	44,718
Total expenditures	133,895

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

Source: Ontario, Ministry of Finance, 2016 Budget, February 25, 2016.

rates is prorated for straddle years. The tax savings would be reinvested in new targeted investments, such as research with the Perimeter Institute and manufacturing. Ontario would continue to examine means to encourage R & D investment, increase commercialization of research, and better support export activity.

Ontario continued its review of the apprenticeship training tax credit with a view to improving completion rates and increasing opportunities for underrepresented groups. After an ongoing engagement with stakeholders and partners, the government committed to announce further details in 2016.

2. Personal Income Tax

As part of the PRRT process, Ontario reviewed its tax credits to determine more effective means of achieving the underlying objectives.

Tuition and education tax credits will be discontinued beginning September 5, 2017. The additional revenue will be reinvested in education grants, which are more target-effective than tax credits. Eligible tuition fees paid in respect of studies up to and including September 4, 2017 will generate tuition tax credits; months of study before September 2017 will generate education tax credits. Individuals who are Ontario taxfilers at December 31, 2017 will be able to claim any such credits carried forward to future years.

The children's activity tax credit will end after 2016. The credit was claimed disproportionately by higher-income families, and Ontario committed to focus on the development of other programs to encourage physical activity and healthy eating for Ontario's children.

The healthy homes renovation tax credit will end after 2016. The credit provided little support to lower-income seniors; other programs were more effective in assessing needs.

In accordance with federal changes to the definition of taxable income and certain tax rates, Ontario parallelled federal changes to the gross-up rate for non-eligible dividends under the Canada-Ontario tax collection agreement. Ontario's non-eligible dividend tax credit rate decreased accordingly, from 4.5 percent to 4.2863 percent for 2016. Ontario committed to a review of that rate for subsequent years.

Ontario committed to parallel the federal tax-free savings account annual contribution reduction from $10,000 in 2015 to $5,500 in 2016. Indexation will resume.

Ontario parallelled federal rules and applied its top marginal rate on income split with certain related children; effective in 2016, that income was taxed at the Ontario top rate of 20.53 percent without surtax thereon.

Ontario committed to examine simplification of the personal income tax calculation including surtax and the Ontario tax reduction.

3. Sales Tax

No changes were announced.

4. Sin Taxes

In support of the goal of the smoke-free Ontario strategy to reduce the incidence of smoking in the province, effective at 12:01 a.m. on February 26, 2016, Ontario tobacco tax increased from 13.975¢ to 15.475¢ per cigarette and per gram of other tobacco products excluding cigars. A non-collector wholesaler must take inventory of its affected tobacco products at the end of February 25, 2016 and remit additional tax to the Ministry of Finance. Amendments to the Tobacco Tax Act will clarify the obligation of retailers to remit additional tax following a rate change.

Tobacco tax rates will increase with inflation each year starting in 2017, to ensure that rates retain their real value over time.

Some increased tobacco tax revenue was earmarked to support smoking cessation services for all Ontarians across the province.

Effective June 2016, the Liquor Control Board of Ontario increased its ad valorem markup for wine products by 2 percentage points. The wine markup is set to increase by a further 2 percentage points in April 2017, 2 percentage points in April 2018, and 1 percentage point in April 2019.

A definition of authorized grocery store was established and the collection of tax therefrom provided for. The basic tax on non-Ontario wine purchased at winery retail stores increased by 1 percentage point in June 2016, with a further 1 percentage point increase in each of April 2017, April 2018, and April 2019.

Consistent with the minimum price for spirits and beer, the minimum price for table wine increased to $7.95 (including deposit) for a 750 ml bottle, phased in over three years. Minimum retail prices were also set to phase in over three years for cider, fortified wine, and low-alcohol wine.

The government committed to enact legislation to establish higher basic wine tax rates for sales at winery retail outlets operating in grocery stores and to replace the current markup and commission structure at on-site distillery retail stores with a tax on the purchase of spirits.

5. Resource-Related Matters

No changes were announced.

6. Real Estate Taxes

Ontario committed to engage in further consultations regarding municipalities' management of the business property tax capping program, changes to the provincial land tax system, and implementation of the special-purpose business property assessment review.

The property tax vacant unit rebate and vacant/excess land subclasses consultation and review continued in 2016 for commercial and industrial buildings or land. Ontario was the only Canadian province with such a program. Also, Ontario intended to enact a technical adjustment to the prescribed property tax rate calculation to address unintended results from, for example, in-year assessment appeal losses.

The provincial land tax review consultations continued to address property taxation in northern Ontario before further determining provincial land tax rate adjustments for 2017.

The Ministry of Finance and the Municipal Property Assessment Corporation (MPAC) established an assessment methodology change protocol to ensure a consultative approach. Ontario promised to continue to work with stakeholders to promote the early resolution of assessment issues and accurate assessed values through the timely sharing of information.

Stable funding for currently eligible hydroelectric generating stations remains in place for 2017 and subsequent years, and they will receive payments in the same amount as in 2015 under the power dam special payment program regarding mitigation of former property tax, subject to necessary maintenance adjustments.

Ontario promised to work with farmers and the municipal sector to provide sustainable property tax treatment for small scale on-farm value-added activities by farmers that use their agricultural product to create a new product. Any change will maintain a level playing field for property tax on large processors.

7. Pensions

The proposed Ontario registered pension plan (ORPP) was scheduled to begin in 2020 for all eligible Ontario workers. More detailed legislation was introduced in the spring of 2016. However, Ontario also continued to collaborate with the federal and provincial governments to expand the Canada Pension Plan (CPP), and in June 2016 a historic provincial-federal agreement to enhance the CPP was facilitated by Ontario's cancellation of the proposed ORPP.

8. Other

Ontario intended to launch a specialized audit in partnership with the CRA to focus on sectors at high risk of underground economic activity. Ontario also promised to enact penalties and expand enforcement capability to strengthen its ability to identify and address the underground economy.

Ontario intended to implement a cap-and-trade program starting in 2017 to limit GHG emissions. A business will be able to trade (sell) excess cap (quota) for GHG. Accordingly, the pump price of gasoline will increase by about 4.3¢/litre and the cost of natural gas will increase by 3.3¢/cubic metre or about $6 per month for the average residential natural gas user.

Ontario committed to reduce outdated or costly business regulatory requirements through the online consultation tool the Red Tape Challenge. As stated in the 2016 budget, "[t]o improve administrative effectiveness and enforcement, maintain the integrity and equity of Ontario's tax and revenue collection system, and enhance legislative clarity and regulatory flexibility to preserve policy intent, amendments may be proposed to legislation,"[7] including the Assessment Act, the City of Toronto Act, 2006, the Employer Health Tax Act, the Income Tax Act, the Land Transfer Tax Act, the Retail Sales Tax Act, the Taxation Act, 2007, and the Tobacco Tax Act.

Quebec

Tax Highlights

- Small business tax rate conditions amended
- Refundable tax credits introduced
- Elimination of health services fund contribution accelerated

Tax Changes

1. Corporate Income Tax

The health services fund contribution rate for certain small and medium-sized businesses (SMBs) will be reduced after 2016. An eligible specified employer has total payroll for the year of less than $5 million, if more than 50 percent thereof is attributable to agriculture, forestry, fishing and hunting, mining, quarrying, oil and gas extraction, and manufacturing under codes 11, 21, or 31-33 of the North American Industry Classification System (NAICS). The rate for such an employer that has a payroll of no more than $1 million decreases from 1.6 percent to 1.45 percent over

7 Ontario, Ministry of Finance, 2016 Budget, Chapter V: A Fair and Sustainable Tax System, February 25, 2016, at 7.

five years; if payroll is more than $1 million but less than $5 million, the rate also gradually decreases in that period. The following table illustrates the application of formulas set out in the budget documents[8] to the primary and manufacturing sectors. Another table in the budget documents illustrates the application of formulas to other sectors.[9]

Illustration of the impact of the gradual reduction of Quebec's health services fund contribution rate for SMBs in the primary and manufacturing sectors (percent)

	Total payroll				
	$1 million or less	*$2 million*	*$3 million*	*$4 million*	*$5 million or more*
Current rates	1.60	2.27	2.93	3.60	4.26
Rates for 2017	1.55	2.23	2.91	3.58	4.26
Rates for 2018 to 2020	1.50	2.19	2.88	3.57	4.26
Rates as of 2021	1.45	2.15	2.86	3.56	4.26

SMBs = small and medium-sized businesses.

Source: Quebec, Finances Québec, 2016-2017 Budget, Additional Information, March 17, 2016, at A31.

Qualification for the small business deduction (SBD) is amended to replace a criterion concerning a minimum number of full-time employees (three) with a criterion concerning a minimum number of hours worked (5,500 hours per annum for a complete taxation year). The SBD is gradually reduced to zero if the number of hours worked by employees is 5,000 or fewer, effective for a taxation year beginning after calendar 2016.

Objective qualification criteria for easing tax rules applicable to the transfer of a family business in the primary and manufacturing sectors were to be set out in the Taxation Act for dispositions occurring after budget day. The initiative was originally announced in the 2015 budget.

A temporary income-averaging provision was introduced for a maximum of seven years for private forest owners for a portion of income generated by non-retail sales of lumber produced in a private forest to a buyer with a Quebec establishment, for a taxation year ending after the budget date and before 2021. The rule applies to income tax (for an individual, a partnership, or a corporation) and an individual's contribution to the health services fund.

After 2016, a deduction for the purposes of the corporate income tax was introduced for an innovative manufacturing corporation not eligible to claim the SBD. An

8 Quebec, Finances Québec, 2016-2017 Budget, Additional Information, March 17, 2016, at A31-A32.

9 Ibid., at A32.

TABLE 14 Projected Revenues and Expenditures, Quebec, Fiscal Year 2016-17

	millions of dollars
Total revenues	102,566
Total expenditures	(100,138)
Contingency reserve	(400)
Surplus/(deficit)	2,028
Revenue sources	
Personal income tax	29,639
Corporate income tax	6,565
Sales tax	14,896
Other taxes	12,608
Total tax revenue	63,708
Federal transfers	20,180
Other revenues	18,678
Total revenues	102,566
Expenditures	
Education	21,623
Health	38,372
Debt servicing	10,418
Other expenditures	29,725
Total expenditures	100,138

Notes: The figures were presented on a consolidated basis, showing general fund plus consolidated entities; this accounting represented a change from the 2013 budget's solely general fund figures. The figures shown for expenditures were by department, except for debt servicing.

Source: Quebec, Finances Québec, 2016-2017 Budget, March 17, 2016.

eligible corporation must have at least 50 percent of its activities in the M & P sector carried out in Quebec and its paid-up capital (PUC) must be at least $15 million in the previous year. The deduction applies to income from the sale or rental of property that has a qualified patent feature derived from R & D work carried out in Quebec by the corporation. Quebec was the first Canadian province or territory to announce what is effectively a "patent box" incentive. The rule ensures that revenue attributable to a patent developed in the province benefits from a lower tax rate—reduced to 4 percent from 11.8 percent—and is in addition to the existing R & D credit and "first patent" program offered by the province. Various jurisdictions have adopted patent box policies, including the United Kingdom and several other European countries. The recent proliferation of patent box policies may indicate a shift to tax incentives and cash grants from the tax competition that was the focus of the much-publicized base erosion and profit shifting (BEPS) project undertaken by the Organisation for Economic Co-operation and Development.

The tax credit for the integration of information technologies in SMBs with more than 50 percent of their activities in the primary and manufacturing sectors was extended to corporations operating in the wholesale and retail sectors, and the upper

PUC limit at which the tax credit was reduced to zero was increased to $50 million. The 20 percent tax credit begins to be reduced when PUC exceeds $35 million. The percentage of eligible activities was determined by the proportion of salary and wages incurred by the corporation in respect of employees whose duties consisted of eligible activities. The changes applied in respect of a taxation year of the corporation that ended after budget day. However, the extension to other sectors only applied to expenditures relating to the supply of a qualified management software package incurred after budget day and before 2020, and in respect of an information technology integration contract whose negotiation commenced in that period and for which Investissement Québec had issued a qualification certificate.

The refundable tax credit for technological adaptation services was clarified to provide that the eligible college centre for the transfer of technology (CCTT) or the eligible liaison and transfer centre (LTC) that carries out the eligible liaison and transfer services for a Quebec establishment of a corporation eligible for the credit must have rendered those eligible services in Quebec. Participation in training and information services dispensed in Quebec in connection with such a service was also eligible. This change applied after budget day in connection with services offered by a CCTT or an LTC under a contract entered into after that day.

A temporary (two-year) refundable tax credit was introduced for major digital transformation projects in Quebec if the contract was entered into after budget day and before 2019. Eligibility for a project required the creation of at least 500 new jobs in Quebec for at least seven years attributable to the contract. The credit was 24 percent per annum of the eligible employee's salary with a cap of $20,000 annually per employee and an overall cap of $83,333. A special tax was imposed to recover a portion or all of the tax credit if the contract did not fulfill the requirements for the full seven years.

The refundable tax credit for eligible expenses relating to mining resources in the Quebec near or far north was increased by 25 percent, from 31 percent to 38.75 percent and from 15 percent to 18.75 percent; the former rate applies to a corporation (and its associated group) that did not operate a mineral resource or an oil or gas well. The increase was effective for expenses incurred after budget day.

The eligibility for a refundable tax credit for Quebec film and television production may depend on the age of the audience targeted. To recognize the difficulties in distinguishing such a category, the category conditions were relaxed. Thus, the eligibility for films intended for children under 13 years of age was merged with those categories intended for young people and for minors 17 and under. The changes took effect if an application for an advance ruling was submitted to the Société de développement des entreprises culturelles (SODEC) after budget day.

New assistance was excluded from the reduction of eligible expenses in the calculation of tax credits in the cultural sector. Generally, financial assistance from a public body in the cultural sector was an excluded amount of assistance and did not reduce expenditures. The rules apply from 2015 for financial assistance under Quebec City's Soutien à la production cinématographique et télévisuelle program, and from 2012 for financial assistance from the Society for the Celebration of Montreal's 375th

Anniversary. However, if financial assistance was granted from the former, the taxpayer was not eligible for the increased refundable tax credit for a Quebec film and television production.

In respect of the enhanced deduction for the donation of food products by food processors introduced in the 2015 budget, such a donation included those made by any registered charity that was an associated member (a local agency offering food assistance services), effective after budget day. Also, any corporation, partnership, or individual carrying on a food-processing business could make a qualifying donation to the Food Banks of Quebec or a Moisson member and become eligible for the enhanced deduction; eligible food products were milk, oil, flour, sugar, deep-frozen vegetables, pasta, prepared meals, baby food, and infant formula.

Effective after budget day, a political contribution is not deductible from business or property income.

2. Personal Income Tax

The plan to eliminate the health contribution for individuals by 2019 was accelerated. The health contribution will be eliminated in 2017 for lower-income taxpayers and in 2018 for all other taxpayers.

A new temporary refundable tax credit was introduced for eco-friendly home renovations. The credit is capped at $10,000 or 20 percent of expenditures in excess of $2,500 incurred by an individual before October 2017. The underlying agreement must have been entered into after budget day and before April 2017 for renovation work on the taxpayer's principal place of residence or cottage. Eligible work must have a positive energy or environmental impact.

The refundable tax credit that represents a work premium was enhanced for households without children. The credit is intended to provide an incentive to work and relinquish the government financial assistance available to those whose capacity for employment may have been severely limited and those whose capacity for employment was not severely limited. The credit was raised by 2 percentage points after budget day, from 7 percent to 9 percent for the general work premium, and from 9 percent to 11 percent for those whose capacity for employment was severely limited.

Greater access to the tax shield was established for the 2015 budget's new refundable tax credit. Beginning in 2016, the maximum increase in eligible work income from the prior year increased from $2,500 to $3,000 for each member of a household. The credit was designed to provide an incentive to earn more family income for those who received tax benefits based on a maximum family income.

The donation tax credit was enhanced by eliminating the limit for gifts, which was previously set at 75 percent of the taxpayer's income for the year in which the credit was claimed. Effective for 2016 and subsequent years, if an individual's marginal rate is more than 24 percent, the credit rate was increased from 24 percent to 25.75 percent for the amount that is the lesser of eligible gifts in excess of $200 and the amount by which the individual's taxable income exceeded the threshold for that year's fourth tax bracket.

The age of eligibility for the tax credit for experienced workers was lowered, from 65 to 63 over two years. The maximum eligible work income in 2018 will increase to income in excess of $10,000 for workers aged 65 and over, from the current $5,000. By 2018, the age of eligibility will lower to 62, the average retirement age of Quebecers; the maximum amount of eligible work income will be $4,000 for the category.

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

The Act Respecting Duties on Transfers of Immovables was amended to tighten certain provisions granting an exemption from the payment of the transfer duty. The change applied to transfers after budget day. The due date for the transfer tax was corrected to remove a reference to the registration of the transfer, and disclosure of a transfer was required where the relevant deed of transfer was not registered in the land registry, effective for a transfer after budget day. A change exempted certain transfers between de facto spouses who had dissolved their union. An amendment, also applicable to transfers after budget day, was made to give effect to some terms in agreements between Quebec and international governmental organizations.

Changes were made to government assistance for capitalization of Capital régional et coopératif Desjardins that authorized the fund to raise a maximum of $135 million for each of the periods ending February 28, 2017 and February 28, 2018. The applicable rate for the calculation of the tax credit for the acquisition of shares was reduced from 45 percent to 40 percent for any share acquired after February 29, 2016. Thus, the maximum amount that an individual can deduct was reduced from $2,250 to $2,000.

The tax credit rate for the acquisition of shares in Fondaction, le Fond de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, which was set at a temporarily increased amount of 20 percent for shares acquired in the year before June 1, 2016, was maintained at 20 percent for two additional fiscal years. The amount of capital that may be raised cannot exceed $250 million for the fiscal years ending May 31, 2017 and May 31, 2018; the latter limit may be reduced.

The investment period was extended to May 31, 2021 for investments eligible for the investment requirement of a tax-advantaged fund (Fond de solidarité FQ; Fondaction, le Fond de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi; and Capital régional et coopératif Desjardins) in a local fund category to develop entrepreneurship. For a fiscal year ending before January 1, 2017, the amount of the investment (increased by 50 percent) is also extended for any fiscal year ending before 2022.

The Mining Tax Act required that an operator pay mining duties equal to the greater of the minimum mining tax for the year and the mining tax on the operator's annual profit. To determine the mining tax on annual profit, different rates were imposed on different tranches of the profit margin (annual profit divided by the gross value of annual output from all the operator's mines): the first segment (0 to 35 percent) was taxed at 16 percent, the second segment (greater than 35 percent and up to 50 percent) was taxed at 22 percent, and the third segment (over 50 percent) was taxed at 28 percent. The Mining Tax Act was amended to calculate an operator's profit margin to exclude recapture of capital cost allowance and a terminal loss, effective after 2013, if the operator ceased its mining operation activities. Various other amendments were made to the Mining Tax Act, including an amendment that allows the minister of revenue to retain a tax refund in lieu of a financial guarantee required by a person for a rehabilitation and restoration plan.

After budget day, the rules pertaining to the determination of the value of gemstones were also amended regarding the costs relating to the valuator and the provision of equipment to the valuator.

The logging tax exemption, which has not been adjusted since the tax's implementation in 1962, was amended, increasing the amount of income from logging from $10,000 to $65,000, applicable to a taxation year beginning after budget day.

The farm property tax credit program allowed as a credit a portion of municipal and school taxes on immovables used for agricultural purposes. Given the complexity of the program, the eligibility conditions were reduced from five to two, and other filing and administrative requirements and procedures were clarified and simplified. The agricultural operation must now be registered in the year with the Department of Agriculture, Fisheries, and Food and must also be included in whole or in part in a legislatively established agricultural zone (pursuant to the Act Respecting the Preservation of Agricultural Land and Agricultural Activities) in the fiscal year for which the credit was claimed and at the time when the claim was filed.

The registration procedure for a charity was simplified, deeming a federally registered charity to be recognized for Quebec purposes, subject to the minister's discretion, effective after 2015.

Regulation of the financial sector was enhanced to ensure its sound oversight. The complete array of financial sector legislation was affected, including deposit insurance and other insurance, financial products, derivatives, securities, trust companies, savings companies, and real estate brokers.

As part of the budget papers, Quebec included a report entitled "The Fight Against Tax Evasion."[10] In 2013, Quebec estimated that tax losses from the underground economy were about $3.9 billion. The government pinpointed the illicit

10 2016-2017 Budget, supra note 8, section C.

tobacco trade, unreported work in the construction sector, illicit trade in alcoholic beverages, economic and financial crime, and organized networks of unreported work. Both tax evasion and tax avoidance were targeted. Quebec specifically referred to new provisions regarding the transfer of immovables, designed to fight tax avoidance more effectively. Actions were planned to improve the relations between taxpayers and Revenu Québec and encourage self-assessment, including legislation that extended the requirement to obtain attestation of tax compliance from Revenu Québec to taxpayers who wish to enter into certain private construction contracts and contracts with employment agencies. Sales recording module (SRM) technology was extended to bars and resto-bars from February 1, 2016. SRM is a microcomputer that receives commercial data and records information such as sales and taxes. The SRM is connected to a cash register and sends the information required to print an invoice or bill. The law requires that the bar or resto-bar operator provide the customer with a bill for a transaction.

The debt reduction objectives of the Act To Reduce the Debt and Establish the Generations Fund was confirmed by the 2016 budget.

7. Pensions

No changes were announced.

8. Other

No changes were announced.

NEW BRUNSWICK

Tax Highlights

- General corporate income tax increased to 14 percent
- HST increased to 15 percent
- Tobacco tax increased
- Capital tax on financial institutions increased

Tax Changes

1. Corporate Income Tax

The general corporate income tax rate increased from 12 percent to 14 percent, effective April 1, 2016.

2. Personal Income Tax

Given the 2016 top bracket federal increase to 33 percent for taxable income over $200,000, New Brunswick eliminated its top marginal personal income tax rate of 25.75 percent. New Brunswick also lowered its rate on taxable income over $150,000 from 21 percent to 20.3 percent. Beginning in 2017, the tax bracket over $150,000 will be indexed.

3. Sales Tax

Effective July 1, 2016, the provincial portion of the HST increased by 2 percentage points, from 8 percent to 10 percent. The federal-provincial HST rate therefore increased from 13 percent to 15 percent. New Brunswick promised to introduce a refundable provincial HST credit: $300 for an individual, $300 for a spouse or equivalent, and $100 for each child under 19. The full credit was available when family income was less than $35,000 per year and is reduced by 2¢ for every additional dollar of income over that threshold.

4. Sin Taxes

A tobacco tax on tobacco products increased by 6.52¢ per cigarette or gram of loose or fine-cut tobacco, incrementally from midnight February 2, 2016 over the next two years. The initial increase of 3.26¢ occurred at midnight February 2, 2016 and brought the rate to 22.62¢ per cigarette; a second increase of 3.26¢ per cigarette is effective February 1, 2017.

Fines are increased and a dedicated enforcement unit was established to identify and investigate illegal tobacco networks.

5. Resource-Related Matters

No changes were announced.

6. Real Estate Taxes

Effective April 1, 2016, the real property transfer tax increased from 0.5 percent to 1.0 percent.

7. Pensions

No changes were announced.

8. Other

The strategic program review process was completed; the review process identified measures to reduce the accumulating debt and put the province on track to balance the budget in 2020-21.

The government has established an alternative service delivery unit within the Department of Finance to determine when to pursue partnerships with the private sector to, for example, manage registries such as the real property, motor vehicle, and corporate registries. The outsourcing also included outsourcing the pension and benefits administration and pension investment functions of government to a not-for-profit organization. Companies and individuals can purchase rights to name government-owned assets including advertising on or around some assets; the government committed to explore the sale of some surplus properties, or the sale to or use by third parties of other properties.

The financial corporation capital tax rate increased from 4 percent to 5 percent for banks, effective April 1, 2016.

TABLE 15 Projected Revenues and Expenditures, New Brunswick, Fiscal Year 2016-17

	millions of dollars
Total revenues	8,719
Total expenditures	(8,966)
Reserve	(100)
Surplus/(deficit)	(347)
Revenue sources	
Personal income tax	1,632
Corporate income tax	276
Sales tax	1,336
Other taxes	1,073
Total tax revenue	4,317
Federal transfers	2,960
Other revenues	1,442
Total revenues	8,719
Expenditures	
Education	1,179
Health	2,602
Debt servicing	700
Other expenditures	4,485
Total expenditures	8,966

Notes: Figures were shown on a main estimates basis. About $217 million of the federal transfer amount was provided in the form of conditional federal grants. Expenditure figures were shown by department. "Other revenues" included $70 million in forest and mining royalties.

Source: New Brunswick, Department of Finance, 2016-2017 Budget, February 2, 2016.

The government announced that NB Liquor will develop and implement a strategic plan to pursue business opportunities and improve practices.

NOVA SCOTIA

Tax Highlights

- No corporate income tax rate increase
- No personal income tax rate increase
- Tobacco tax rate increase

Tax Changes

1. Corporate Income Tax

Effective in 2016, an individual or a corporation that carried on a farming business could claim a non-refundable tax credit for 25 percent of the FMV of donated qualifying agricultural products to a registered charity for families in need. The tax credit must have been claimed in the same year that a charitable credit or deduction for the donation was claimed.

2. *Personal Income Tax*

Effective for taxation years ending after 2015, the graduated personal income tax rates applied only to trusts that were graduated rate estates and qualified disability trusts, to parallel federal changes from the 2014 federal budget. The top 21 percent provincial marginal rate applied to all other estates and trusts.

3. *Sales Tax*

No changes were announced.

4. *Sin Taxes*

Effective at 12:01 a.m. on April 20, 2016, the tobacco tax rate increased by 2¢ per cigarette, per gram of fine-cut tobacco, and per pre-portioned tobacco stick. The new rate was 27.52¢/cigarette or a $4.00 increase per carton of 200 cigarettes, to a total of $55.04. The tax on cigars increased from 56 percent to 60 percent of the suggested retail selling price.

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.

Prince Edward Island

Tax Highlights

- HST increased by 1 percentage point
- The HST credit increased by 10 percent
- Real property transfer tax eliminated for first-time buyers

Tax Changes

1. *Corporate Income Tax*

No changes were announced.

TABLE 16 Projected Revenues and Expenditures, Nova Scotia, Fiscal Year 2016-17

	millions of dollars
Total revenues	10,264
Total expenditures	(10,146)
Reserve and consolidating adjustments	9
Contribution to fiscal capacity for Provincial Health Complex	(110)
Surplus/(deficit)	17
Revenue sources	
Personal income tax	2,672
Corporate income tax	467
Sales tax	1,814
Other taxes	658
Total tax revenue	5,611
Federal transfers	3,364
Other revenues	1,289
Total revenues	10,264
Expenditures	
Education	1,280
Health	4,132
Debt servicing	842
Other expenditures	3,892
Total expenditures	10,146

Notes: Revenue source figures were for general revenue fund only with adjustments for consolidation. Expenditure figures were shown by department, general revenue fund. Figures may not add because of rounding.

Source: Nova Scotia, Department of Finance and Treasury Board, 2016-2017 Budget, April 19, 2016.

2. Personal Income Tax

The refundable sales tax credit increased by 10 percent effective July 2016. The basic credit increased to $110 and the spouse, equivalent to spouse, and supplement amounts increased to $55. The maximum credit increased to $220.

The low-income tax reduction program was enhanced for 2016 and subsequent years. The basic, spouse, equivalent to spouse, and child amounts increased by $50 each.

The basic personal amount increased to $8,000 for 2016 and following years, from $7,708. The spouse and eligible dependant amounts also increased to $6,795, from $6,546 and $6,294, respectively.

3. Sales Tax

The provincial portion of the HST was increased by 1 percentage point, effective October 1, 2016. The combined federal-provincial HST rate was 15 percent.

TABLE 17 Projected Revenues and Expenditures, Prince Edward Island, Fiscal Year 2016-17

	millions of dollars
Total revenues	1,710
Total expenditures	(1,720)
Reserve and consolidating adjustments	nil
Surplus/(deficit)	(10)
Revenue sources	
Personal income tax	346
Corporate income tax	62
Sales tax	269
Other taxes	226
Total tax revenue	903
Federal transfers	658
Other revenues	149
Total revenues	1,710
Expenditures	
Education	252
Health	617
Debt servicing	127
Other expenditures	724
Total expenditures	1,720

Notes: Revenue and expenditure figures were consolidated. Expenditure figures were shown by department. Appendix III in the budget estimates shows reclassified revenue and expenditures for 2015-16 to conform to the 2016-17 presentation.

Source: Prince Edward Island, Department of Finance, 2016-2017 Budget, April 19, 2016.

4. *Sin Taxes*

No changes were announced.

5. *Resource-Related Matters*

No changes were announced.

6. *Real Estate Taxes*

The real property transfer tax of 1 percent was eliminated for all first-time home buyers, effective October 1, 2016.

7. *Pensions*

No changes were announced.

8. *Other*

The government undertook to review licences, permits, and fees. Small adjustments were made to bring the province closer to regional levels.

Newfoundland and Labrador

Tax Highlights

- Corporate rate increased and M & P profits tax credit eliminated
- Personal income tax rates increased
- Temporary deficit reduction levy introduced
- HST increased by 2 percentage points
- Financial corporations capital tax rate and insurance companies tax rate each increased by 1 percentage point
- Tobacco tax and gas tax increased

Tax Changes

1. *Corporate Income Tax*

The general corporate income tax rate increased from 14 percent to 15 percent retroactive to January 1, 2016.

The M & P profits tax credit was eliminated as of January 1, 2016. The 9 percent credit had reduced the corporate income tax rate for M & P corporations to 5 percent.

The small business rate on the first $500,000 of active business income remained at 3 percent.

2. *Personal Income Tax*

Effective July 1, 2016, all tax bracket rates were increased. The rates increase again in 2017, so that the 2017 rates are 1 to 3 percentage points higher than the rates in 2015, as shown in the following table.

Taxable income	*2015*	*2016*	*2017*
$0-$35,148	7.7	8.2	8.7
$35,149-$70,295	12.5	13.5	14.5
$70,296-$125,000	13.3	14.55	15.8
$125,001-$175,700	14.3	15.8	17.3
Over $175,700	15.3	16.8	18.3

The dividend tax rate for non-eligible dividends was reduced from 4.1 percent to 3.5 percent for dividends received after July 1, 2016.

Effective July 1, 2016, an individual with taxable income of more than $20,000 was subject to a temporary deficit reduction levy. The levy increased to up to $900 for a taxpayer whose taxable income exceeded $202,500. The levy will be phased out after 2017. The current target is for a three-year phaseout of the levy if the government is on target with its seven-year plan to return to a surplus position. The application of the levy is illustrated in the following table.

TABLE 18 Projected Revenues and Expenditures, Newfoundland and Labrador, Fiscal Year 2016-17

	millions of dollars
Total revenues	6,776
Total expenditures	(8,481)
Revenue risk adjustment	(125)
Surplus/(deficit)	(1,830)
Revenue sources	
Personal income tax	1,524
Corporate income tax	223
Sales tax	1,171
Other taxes	785
Total tax revenue	3,703
Federal transfers	1,185
Other revenues	1,888
Total revenues	6,776
Expenditures	
Education	788
Health	2,676
Debt servicing	982
Other expenditures	4,035
Total expenditures	8,481

Notes: Health expenditure includes consolidated net expense for health and community expenditures. Expenditures were a combination of current and capital account expenditures by department in the government reporting entity. Offshore royalties were shown as $502 million and not included in "other" tax revenue; $53 million from mining tax and royalties was included in tax revenue. The total revenue figure includes net income of government business enterprises of $408 million. The personal income tax estimate includes $74.8 million for the temporary deficit reduction levy. The debt-servicing amounts are included in the budgeted amounts shown for education and health; these latter amounts were reduced pro rata. Figures may not add because of rounding.

Source: Newfoundland and Labrador, Department of Finance, 2016 Budget, April 14, 2016.

Taxable income	Temporary deficit reduction levy
	dollars
Not more than $20,000	0
More than $20,000 but not more than $25,000	0.01-300
More than $25,000 but not more than $36,000	300
More than $36,000 but not more than $38,500	300.01-450
More than $38,500 but not more than $47,000	450
More than $47,000 but not more than $49,500	450.01-600
More than $49,500 but not more than $72,000	600
More than $72,000 but not more than $74,500	600.01-750
More than $74,500 but not more than $200,000	750
More than $200,000 but not more than $202,500	750.01-900
More than $202,500	900

3. *Sales Tax*

The HST rate increased from 13 percent to 15 percent effective July 1, 2016. The provincial portion of the HST increased from 8 percent to 10 percent. The previous government proposed a 2 percentage point HST increase. The newly elected government said in December 2015 that it did not intend to increase the provincial portion of the HST, but instituted a 2 percentage point increase in its first budget, the 2016 budget.

The retail sales tax on insurance premiums was reintroduced, effective July 1, 2016. The retail sales tax on insurance premiums for property and casualty insurance policies was 15 percent.

The retail sales tax on used vehicles increased to 15 percent from 14 percent, effective July 1, 2016.

The HST point-of-sale rebate on books purchased by individuals was eliminated.

4. *Sin Taxes*

Effective at 12:01 a.m. on April 15, 2016, the tobacco tax increased by 1¢/cigarette and by 2¢/gram of fine-cut tobacco.

5. *Resource-Related Matters*

Effective June 2, 2016, the tax on gasoline increased by 16.5¢/litre. This temporary tax increase was set for review before the supplemental budget in the autumn of 2016.

Effective June 2, 2016, a new rebate was provided equal to 10¢/litre for gasoline used in motor vehicles in the Labrador Border Zones: Labrador West (Labrador City and Wabush) and Southern Labrador (from the Quebec border and including the Red Bay community.)

The tax rate on diesel products increased by 5¢/litre.

The tax rate on aviation fuel increased from 0.7¢/litre to 2.5¢/litre, effective June 2, 2016.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

The financial corporations capital tax rate increased from 5 percent to 6 percent, effective January 1, 2016.

The insurance companies tax rate increased from 4 percent to 5 percent, effective July 1, 2016.

The budget introduced 50 new fees and modified 300 existing fees, including the corporate annual return fee, which increases from $75 to $100, effective January 1, 2017. A 10 percent discount applied to the filer of an online return.

A wide range of programs were eliminated, including the home heating rebate program and the Labrador building material rebate program.

The provincial drug program coverage of over-the-counter drugs and services was modified.

Following the 2017-18 Newfoundland and Labrador budget and the federal review of its tax system, Newfoundland and Labrador will comprehensively and independently review its provincial tax system. The review is intended to simplify the tax system and reduce costs for each of the government and taxpayers, while ensuring that the tax system is fair and competitive. The government is targeting a small surplus by 2022-23; the budget's focus on increasing revenue and decreasing expenditures is a direct consequence of falling commodity prices.

Yukon

Tax Highlights

- No new corporate taxes or corporate tax increases

Tax Changes

1. Corporate Income Tax

No changes were announced.

2. Personal Income Tax

No changes were announced.

3. Sales Tax

No changes were announced.

TABLE 19 Projected Revenues and Expenditures, Yukon, Fiscal Year 2016-17

	millions of dollars
Total revenues	1,256
Total expenditures	(1,247)
Reserve	nil
Surplus/(deficit)	9
Revenue sources	
Personal income tax	68
Corporate income tax	15
Sales tax	na
Other taxes	29
Total tax revenue	112
Federal transfers	946
Other revenues	198
Total revenues	1,256
Expenditures	
Education	173
Health	461
Debt servicing	16
Other expenditures	597
Total expenditures	1,247

Notes: Expenditure figures for education and health were shown in the consolidated budget by function. The health figure includes an amount for social services. Non-consolidated reporting was used to reflect the announced surplus figure; the consolidated surplus was reported as $13 million. Consolidated reporting includes territorial corporations. The debt-servicing figure shown represents expenditures on loan programs. Figures 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, 2016-2017 Budget, April 7, 2016.

4. *Sin Taxes*

No changes were announced.

5. *Resource-Related Matters*

The finance minister announced that the territory will not proceed with a carbon tax.

6. *Real Estate Taxes*

No changes were announced.

7. *Pensions*

No changes were announced.

8. Other

An interim electrical rebate (maximum $26.62 per month on the first 1,000 kilowatt-hours used) was extended for another year. The maximum benefit was $319 per year.

Northwest Territories

Tax Highlights

- No new taxes or income tax increases
- Property tax mill rates and some fees adjusted for inflation
- Airport fees restructured to match industry averages

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

Tobacco rates and liquor markups have been indexed for inflation in the past. These rates and markups were not increased in 2016 owing to concerns that they were already the highest in all the provinces and territories, and that increases could pose enforcement challenges.

5. Resource-Related Matters

No changes were announced.

6. Real Estate Taxes

Property tax mill rates were adjusted for inflation effective April 1, 2016.

7. Pensions

No changes were announced.

8. Other

Some fees were adjusted for inflation effective April 1, 2016.

Yellowknife airport fees were restructured and increased to match industry averages and to introduce an improvement fee of $20 per passenger flying south ($10 flying north).

TABLE 20 Projected Revenues and Expenditures, Northwest Territories, Fiscal Year 2016-17

	millions of dollars
Total revenues	1,810
Total expenditures	(1,662)
Infrastructure contribution, deferred maintenance, fund profit/loss	(30)
Surplus/(deficit)	119
Revenue sources	
Personal income tax	111
Corporate income tax	60
Sales tax	na
Other taxes	103
Total tax revenue	274
Federal transfers	1,391
Other revenues	145
Total revenues	1,810
Expenditures	
Education	316
Health	414
Debt servicing	14
Other expenditures	918
Total expenditures	1,662

Notes: Figures showed health and education expenditures by department; the education figure was a composite for the Department of Education, Culture, and Employment, and the health figure included social services. The stated surplus was on a non-consolidated basis. On April 1, 2014, the Northwest Territories took responsibility for the management of its land, water, and non-renewable resources. Figures may not add because of rounding.

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

Source: Northwest Territories, Department of Finance, 2016-2017 Budget, June 1, 2016.

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. Pensions

No changes were announced.

8. Other

The Department of Finance launched a comprehensive review of the tax system for efficiency, effectiveness, and fairness. Finance committed to a report later in the year.

TABLE 21 Projected Revenues and Expenditures, Nunavut, Fiscal Year 2016-17

	millions of dollars
Total revenues	1,738
Total expenditures	(1,735)
Supplementary requirements, revolving funds, and contingencies	(14)
Surplus/(deficit)	(11)
Revenue sources	
Personal income tax	32
Corporate income tax	18
Sales tax	na
Other taxes	59
Total tax revenue	109
Federal transfers	1,548
Other revenues	81
Total revenues	1,738
Expenditures	
Education	205
Health	338
Debt servicing	3
Other expenditures	1,189
Total expenditures	1,735

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. A change to the federal calculation of provincial and territorial expenditures negatively affected the territorial formula financing grant by $33.8 million; a week before the budget, the federal finance minister announced that $26.1 million of the grant would be restored. All three territories were affected.

Nunavut is in the process of negotiating 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, 2016-2017 Budget, February 25, 2016.