
FINANCES OF THE NATION

Vivien Morgan*

SURVEY OF PROVINCIAL AND TERRITORIAL BUDGETS, 2018-19

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 2018-19 provincial and territorial budgets.

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

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

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* Of the Canadian Tax Foundation, Toronto. I would like to thank Alan Davis of Toronto, for developing figures 1 through 4, and Geneviève Ferland and Cathleen Hibbard of PricewaterhouseCoopers LLP, Montreal and Toronto, respectively, for developing table 11. I would also like to thank Heather Evans of the Canadian Tax Foundation and Michael Smart of the University of Toronto for their insightful comments, and I especially would like to thank Ken McKenzie of the University of Calgary.

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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 2018-19 budget revenues and expenditures for the various provinces and territories, as well as tables that show corporate income tax rates, personal income tax brackets and rates, 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 2018-19 fiscal-year budgets between January and May 2018. (In Ontario, the new government elected in June 2018 issued an update¹ on November 15 to the budget of March 28, 2018.) The

1 Ontario, 2018 Fall Economic Outlook and Fiscal Review, November 15, 2018.

precipitous drop in the price of oil in 2014 became part of history as Alberta's economy started to recover, although there was a lag in the impact on government revenues. The price of oil has been volatile since that time, but until 2018 was essentially recovering; late in 2018, however, companies were reported to be buying up wells speculatively owing to another dip in oil prices. Alberta had said in its 2017 budget that it was "just now beginning to recover from the steepest and most prolonged slide in oil prices in recent history."²

During the hot and dry summer of 2018, there were severe forest fires across the country (and in the United States) that will have unknown and long-term effects (following a massive fire in Fort McMurray, Alberta in 2016). Newfoundland and Labrador was hit hard by the 2014 drop in oil commodity prices and still stumbles toward recovery; the province made significant tax changes across the board in 2016 to increase revenues, but continues to face a serious financial situation. New Brunswick experienced an unrelated and extended downturn in its budgetary position and set about stemming deficits in 2015 and 2016. More than half of the provinces and territories projected a budget deficit (with expenditures exceeding revenue) in this cycle, while 5 of the 13 jurisdictions forecasted a surplus (or basically a flat budget) in the 2018-19 fiscal year based on projected increased economic growth and continued moderate spending restraint. Alberta opted not to make major changes in spending and faced major deficits; the province did not expect to return to a balanced budget until 2022-23. Most jurisdictions that issued projections expected to return to a balanced budget or surplus over long periods (four or more years). For example, Manitoba projected a return to surplus before the end of the government's second term in 2024; Newfoundland and Labrador sees a return to surplus in 2022-23. Because most of the Northwest Territories' budget is funded through federal transfers, in 2017 the territory concluded that it had only a limited capacity to increase taxes or other own-source revenues to ensure operating surpluses. The Yukon government faced similar pressures; in 2016, the surplus projected by the former government had not materialized and the then new government had been forced to make a special borrowing to meet its financial needs. In recognition of its precarious revenues owing to a dependence on resources, Yukon forecasted its first deficit in 2018-19 if no action was taken, and enlisted advice from its populace concerning expenditure pressures. Saskatchewan rolled back planned reductions for mid-2019 in the general and the manufacturing and processing (M & P) corporate tax rates, but increases in the small business limit as a rule continued. The Office of the Parliamentary Budget Officer issued its 2018 report on the sustainability of current provincial and territorial fiscal policies.³ The report concluded that these policies

2 Alberta, Ministry of Treasury Board and Finance, 2017-18 Budget, Fiscal Plan, March 16, 2017, at 3.

3 Office of the Parliamentary Budget Officer, *Fiscal Sustainability Report 2018* (Ottawa: Office of the Parliamentary Budget Officer, September 27, 2018) (www.pbo-dpb.gc.ca/en/blog/news/FSR_September_2018).

were not sustainable over the long term, although they were sustainable over the long term for the government sector as a whole.

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. There were fewer tax changes than usual and more cost-cutting measures in some jurisdictions. In British Columbia and Quebec, surpluses were said to support increased spending on social programs. In most cases, however, the subdued economic environment was matched by a muted response to both revenue increases and expenditures, and most provinces modestly reduced spending if they took any action at all. Balanced budgets inspire confidence in investors and consumers, and most provincial and territorial jurisdictions arrived at a close-to-balanced budget without significantly increasing tax revenue except by natural growth and inflation. Ontario's newly elected government found that the province's deficit was greater than had been reported previously.

In New Brunswick, measures that were recommended following the province's strategic program review were continued and were considered necessary in order to balance the provincial budget in 2021-22. Alberta forecasted a deficit slightly less than that forecasted in the 2016 and 2017 budgets, however, and anticipates a return to surplus in 2022-23. Manitoba placed the burden of its deficit on the lack of previous fiscal responsibility, as did New Brunswick. Tax expenditures such as tax credits were by and large tightened, and major expenditures on programs such as health were held at 2017 levels or increased modestly in most cases. Ontario took a more conservative position under the newly elected government.

Saskatchewan's 2017-18 revenue measures showed a greater reliance on consumption taxes: there was a shift away from income taxes and the "more volatile non-renewable resource revenues."⁴

Risk to the Canadian economy also resided in the high national level of household debt relative to income—upward of 170 percent since 1990⁵ (171.31 in July 2018), but perhaps stabilizing in that range—with growth being spurred on by residential real estate investment, particularly in Vancouver and Toronto. A 2016 property transfer tax increase and other measures in Vancouver cooled that residential real estate market—although perhaps only temporarily—and federal changes since then may have slowed the market in Ontario, particularly in Toronto. (The Bank of Canada increased its interest rates, and the federal government announced stricter rules for mortgages.) The previous Ontario government had renewed its interest in a land transfer tax rate increase for foreign persons, a policy that it had previously rejected. On April 20, 2017, after consulting with the federal minister of finance and the mayor of the city of Toronto, Ontario announced a suite of options intended to

4 Saskatchewan, Ministry of Finance, 2017-18 Budget, Revenue/Tax Background, March 23, 2017, at 3.

5 Tamsin McMahon, "First-Time Homeowners Driving Higher Household Debt: Study," *Globe and Mail*, December 8, 2015, updated March 22, 2018.

cool the housing market in Southern Ontario.⁶ It will take some time to gauge whether the downward effect on real estate prices will be permanent or temporary and whether that effect was caused by government measures or by a more natural stabilizing of the market; in 2018, the market was erratic but seemed to hold steady or rise slightly.

The provinces and territories had by and large developed their own carbon reduction plans before 2019—as required by the federal government—or had asked the federal government to impose a plan. As of the date of writing, only four provinces had done neither: Manitoba, New Brunswick, Ontario, and Saskatchewan. Ontario and Saskatchewan have each filed separate constitutional challenges to the federal imposition of a carbon tax. The outcome of this dispute is unknown.

Table 1 aggregates the projected budget revenue and expenditure items in each province and territory for the 2018-19 fiscal year. The figures reflect the budget summaries presented in the second part of this article. The different jurisdictions' budget projections are not strictly comparable, owing in part to accounting differences across the provinces and territories.⁷ However, the placement of the various jurisdictions' figures in a single table illustrates trends and distinctions that are 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.

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, and health-care expenditures per capita.

The provinces and territories have the primary responsibility for education, health, and social services expenditures. Across all jurisdictions, health-care expenditures averaged about 40 percent of total expenditures, as shown in table 2. For example, for the 2018-19 fiscal year (updated), Ontario projected health-care and long-term-care expenditures of \$61,678 million or 38.13 percent of total expenditures (\$161,775 million, as shown in table 19). In contrast, in the territories, projected spending on health care in 2018-19 accounted for 18.81 percent of total expenditures for Nunavut, 26.69 percent for the Northwest Territories, and

6 Ontario, Ministry of Finance, "Making Housing More Affordable: Ontario Introducing Housing Affordability Measures for Homebuyers and Renters," *News Release*, April 20, 2017 (<https://news.ontario.ca/opo/en/2017/04/making-housing-more-affordable.html>).

7 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) (<https://dx.doi.org/10.2139/ssrn.2414106>). For a reconciliation of changes in the Alberta budget, see Ron Kneebone and Margarita Wilkins, "Recent Changes to Provincial Government Budget Reporting in Alberta" (2018) 10:1 *SPP Communiqué* [University of Calgary School of Public Policy] 1-8 (<http://dx.doi.org/10.11575/spp.v11i0.43275>).

TABLE 1 Provincial and Territorial Revenues and Expenditures, Budget Projections, Fiscal Year 2018-19

Province/territory	Tax revenue	Federal transfers	Other sources of revenue ^a	Total revenues	Total expenditures	Adjustments ^b	Surplus/ (deficit)
	<i>millions of dollars</i>						
Ontario ^c	100,901	26,006	21,324	148,231	(161,775)	(1,000)	(14,544)
Quebec.....	67,343	23,674	18,580	109,597	(108,693)		904
British Columbia.....	30,592	8,930	14,671	54,193	(53,624)	(350)	219
Alberta.....	22,899	8,218	16,762	47,879	(56,181)	(500)	(8,802)
Manitoba.....	8,841	4,496	3,450	16,787	(17,423)	115	(521)
Saskatchewan.....	7,215	2,462	4,567	14,244	(14,609)		(365)
Nova Scotia.....	5,867	3,574	1,369	10,810	(10,863)	82	29
Newfoundland and Labrador.....	4,601 ^d	757	2,315	7,673	(8,356)		(683)
New Brunswick.....	4,537	3,225	1,665	9,427	(9,616)		(189)
Prince Edward Island.....	970	770	245	1,985	(1,984)		2
Northwest Territories.....	251	1,404	94	1,749	(1,713)	(13)	23
Nunavut.....	120	1,671	385	2,176	(2,201)	(30)	(54)
Yukon.....	118	1,005	210	1,333	(1,338)		(5)

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

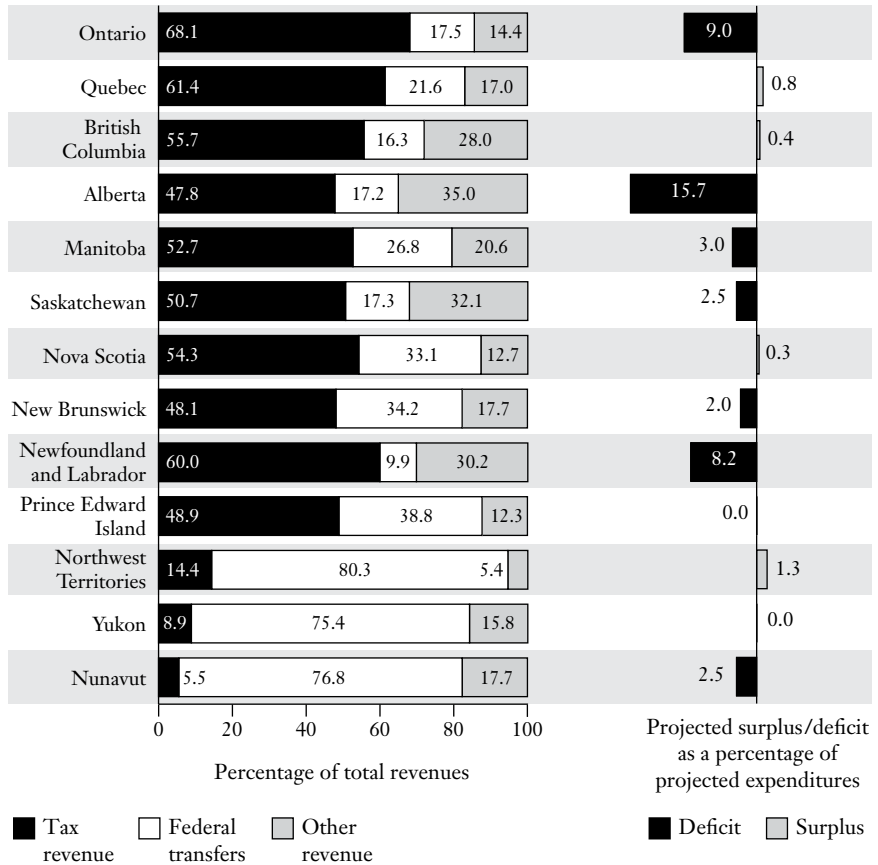
b Adjustments included consolidation numbers (in some cases) and transfers to and from reserve funds.

c Ontario numbers are from the Fall Economic Outlook and Fiscal Review released by the newly elected government on November 15, 2018.

d Newfoundland and Labrador's tax revenue included mining tax revenue and royalties of \$80 million and offshore royalties of \$974 million.

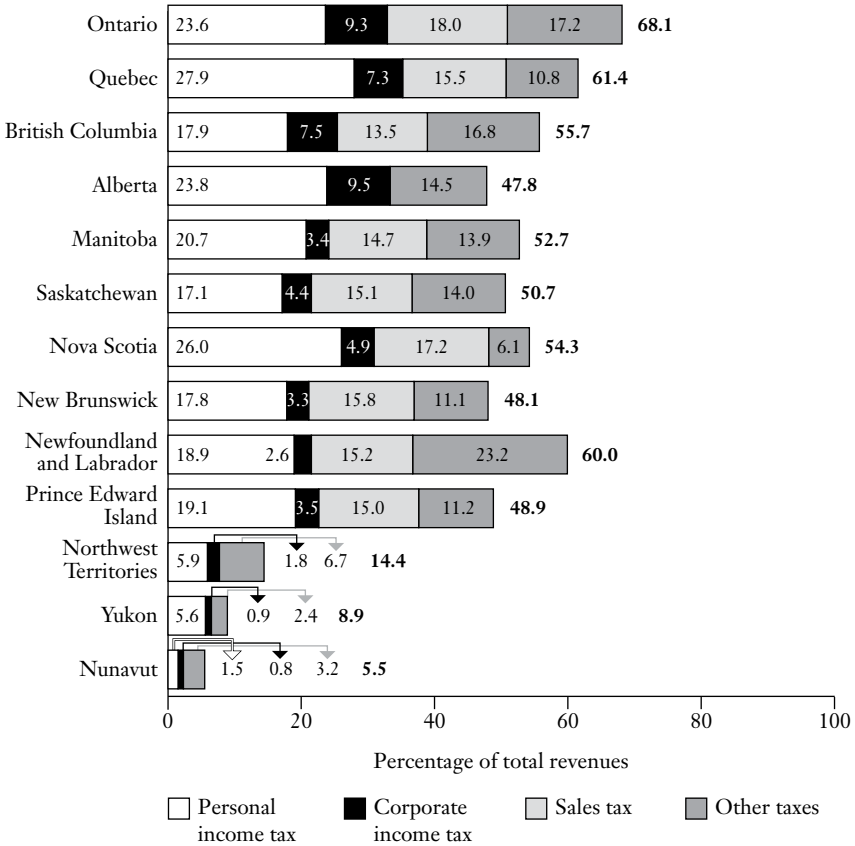
Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31. Differences are due to rounding.

FIGURE 1 Projected Provincial and Territorial Revenues by Source, as a Percentage of Total Revenues, and Projected Surplus/Deficit as a Percentage of Projected Expenditures, Fiscal Year 2018-19

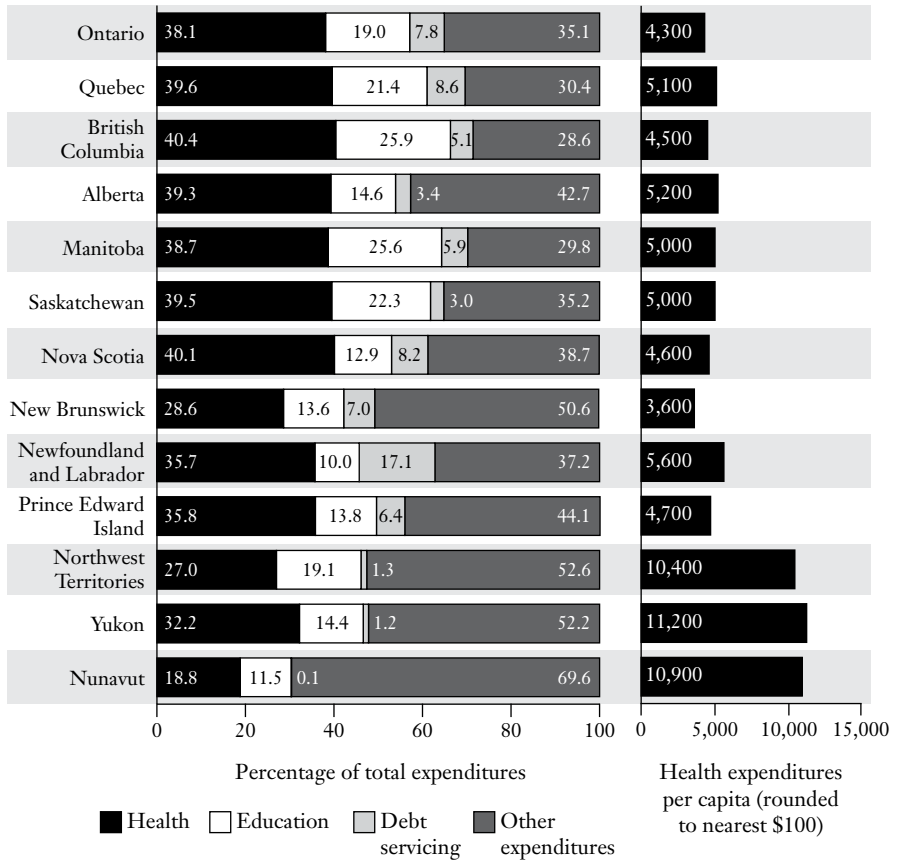


Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31, and the data summary in table 1.

FIGURE 2 Projected Provincial and Territorial Tax Revenues by Source as a Percentage of Total Revenues, Fiscal Year 2018-19



Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31.

FIGURE 3 Projected Provincial and Territorial Expenditures by Spending Category as a Percentage of Total Expenditures, Fiscal Year 2018-19

Source: Based on provincial and territorial budget documents cited in the source notes for tables 4, 12, 14, 16-17, 19, 21, 24-27, and 29-31.

TABLE 2 Provincial and Territorial Health-Care Expenditures, Budget Projections, Fiscal Years 2015-16 to 2018-19

Province/territory	Health-care expenditures				Percentage of total expenditures			
	2015-16	2016-17	2017-18	2018-19	2015-16	2016-17	2017-18	2018-19
	<i>millions of dollars</i>							
Ontario	50,771	51,785	53,763	61,678 ^a	38.49	38.68	38.12	38.13 ^a
Quebec	37,688 ^b	38,372	40,223	43,013	38.23	38.32	38.78	39.57
British Columbia	19,061	19,638	20,747	21,651	41.59	41.38	40.01	40.38
Alberta	19,684	20,414	21,449	22,057	39.44	39.95	39.10	39.26
Manitoba	6,088	6,497	6,681	6,751	39.19	39.88	39.17	38.75
Saskatchewan	5,507 ^c	5,588	5,627	5,765	38.86	38.65	38.02	39.46
Nova Scotia	4,138	4,132	4,214	4,367	41.28	40.73	40.02	40.09
New Brunswick	2,617	2,602	2,679	2,770	30.31	29.02	28.56	28.81
Newfoundland and Labrador	2,683 ^d	2,676	2,768	2,985	37.36	31.55	34.10	35.72
Prince Edward Island	587	617	640	710	35.17	35.87	35.32	35.79
Northwest Territories	407	414	423	462	24.70	24.91	25.00	26.69
Yukon	372	461	451	431	30.32	36.97	35.18	32.21
Nunavut	335	338	353	414	20.07	19.48	18.03	18.81

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 Numbers are from Ontario's Fall Economic Outlook and Fiscal Review released on November 15, 2018.

b 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.

c 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.

d The figure shown in the Newfoundland and Labrador estimates included an amount for debt servicing.
 Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31. See those tables for further details.

TABLE 3 Health-Care Expenditures in Ontario and the Territories as a Percentage of Total Expenditures and per Capita, 2013-14 to 2018-19

Fiscal year	Health-care expenditures as a percentage of total expenditures				Health-care expenditures per capita	
	Ontario	Nunavut	Northwest Territories	Yukon	Ontario	Territorial (Nunavut, Northwest Territories, Yukon) range
	<i>percent</i>				<i>dollars</i>	
2018-19	38.13	18.81	26.97	32.21	4,300	10,400-11,200
2017-18	38.12	18.03	25.00	35.18	3,800	9,500-12,100
2016-17	38.67	19.48	24.70	37.97	3,700	9,100-12,300
2015-16	38.49	20.07	24.70	30.32	3,700	9,100-10,200
2014-15	38.39	20.29	24.30	29.60	3,700	8,600-9,200
2013-14	38.29	20.64	24.81	32.13	3,600	8,400-9,500

Sources: 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 Provincial and Territorial Budgets, 2014-15," *Finances of the Nation* feature (2015) 63:1 *Canadian Tax Journal* 157-215, at 162; Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2015-16," *Finances of the Nation* feature (2016) 64:1 *Canadian Tax Journal* 147-206; Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2016-17," *Finances of the Nation* feature (2017) 65:1 *Canadian Tax Journal* 87-145, at 96; Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2017-18," *Finances of the Nation* feature (2018) 66:1 *Canadian Tax Journal* 37-109, at 51; and this article. The population figures were taken from Statistics Canada, as of the first quarter of 2018. Because the budgets were estimated for 2018-19 and the population data were taken at slightly different dates, the per capita figures were rounded.

32.21 percent for Yukon. However, on a per capita basis, the results of the territories vis-à-vis Ontario appeared to reverse. These trends are reflected in table 3, which sets out the health-care expenditures (as projected in the 2013-14 to 2018-19 budgets) as a percentage of total expenditures and per capita in Ontario and the territories.

Table 4 sets out the health-care expenditure projections for all the provinces and territories for 2018-19 as a percentage of total expenditures and per capita.

Table 5 shows the provincial and territorial surpluses and deficits since the (revised) budget projections for 2014-15⁸ and also shows figures set out in 2018-19 budgets for planned or targeted surpluses or deficits for up to the ensuing five fiscal years. Most jurisdictions that projected beyond the 2018-19 fiscal year planned for a surplus within the following two to four years. Ontario forecasted a flat budget in 2017-18, which materialized, but in 2018-19 planned for a large deficit: the incoming government projected an even larger deficit for 2018-19 and, as noted above, issued an updated economic statement in November 2018.⁹ Alberta forecasted a

8 See Vivien Morgan, "Survey of Provincial and Territorial Budgets 2015-16," *Finances of the Nation* feature (2016) 64:1 *Canadian Tax Journal* 147-206, at 150, table 1.

9 *Supra* note 1, at 4-5.

TABLE 4 Health-Care Expenditures as a Percentage of Total Expenditures and per Capita, Budget Projections, 2018-19

Province/territory	Health-care expenditures	Population	Health-care expenditures as a percentage of total expenditures	Health-care expenditures per capita
	<i>millions of dollars</i>	<i>'000s</i>	<i>%</i>	<i>dollars</i>
British Columbia	21,651	4,817.2	40.38	4,500
Alberta	22,057	4,286.1	39.26	5,200
Saskatchewan	5,765	1,163.9	39.46	5,000
Manitoba	6,751	1,338.1	38.75	5,000
Ontario	61,678	14,193.4	38.13	4,300
Quebec	43,013	8,394.0	39.57	5,100
New Brunswick	2,770	759.7	28.63	3,600
Nova Scotia	4,367	953.9	40.09	4,600
Prince Edward Island	710	152.0	35.79	4,700
Newfoundland and Labrador	2,985	528.8	35.72	5,600
Northwest Territories	462	44.5	26.69	10,400
Yukon	431	38.5	32.21	11,200
Nunavut	414	38.0	18.81	10,900

Sources: Table 2; and population data from Statistics Canada, table 17-10-0005-01 (formerly CANSIM table 051-0001), "Population Estimates on July 1st by Age and Sex" (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501>).

deficit in 2018-19 and a return to surplus only in 2022-23. Manitoba projected a balanced budget within eight years. Newfoundland and Labrador said that it had met its fiscal targets early and, primarily as a result of lowering government spending, forecasted a return to surplus in 2022-23.

On the basis of budget projections in the tables set out in the second part of this article, projected aggregate income tax revenue in the 2018-19 budgets of all provinces and territories was \$99.2 billion from personal income tax and \$32.8 billion from corporate income tax, for total revenue of \$132.0 billion from income tax. Projected aggregate sales tax revenue was \$60.6 billion, for a total of \$93.4 billion from sources other than personal income tax (that is, corporate income tax and sales tax). Thus, as has been the case since 2014, in 2018-19 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 2018-19 federal budget projected \$161.4 billion of revenue from personal income tax, \$47.3 billion from corporate income tax, and \$8.3 billion from non-resident income tax, for a total of \$217.0 billion from income tax, plus \$37.7 billion from sales tax¹⁰—for a total of \$93.3 billion from sources other than personal income tax (corporate income

10 Canada, Department of Finance, 2018 Budget, Budget Plan, February 27, 2018, at 320, table A2.7.

TABLE 5 Revised, Projected, and Planned Provincial and Territorial Surpluses and Deficits, 2014-15 and Onward

Province/territory	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
	budget [revised]	budget [revised]	budget [revised]	budget [revised]	plan	plan	plan	plan	plan	
	<i>millions of dollars</i>									
British Columbia	1,692 [879]	730 [379]	1,458 [2,737]	246 [151]	219	281	284			
Alberta ^a	2,644 [1,115]	(6,118) [(6,492)]	(10,421) [(3,077)]	(10,344) [(9,066)]	(8,802)	(7,912)	(6,970)	(1,400)	700	
Saskatchewan	71 [41]	107 [(427)]	(434) [(1,289)]	(685) [(595)]	(365)	6	108	212		
Manitoba ^b	(357) [(451)]	(422) [(1,012)]	(911) [(890)]	(840) [(775)]	(521)	(388)	(280)	(142)		
Ontario	(12,505) [(10,933)]	(8,512) [(5,686)]	(4,306) [(1,000)]	nil	(14,544)					
Quebec ^c	(2,350) [(2,350)]	1,586 [1,431]	2,028 [2,292]	2,488 [850]	904	1,771	2,512	3,265	3,502	
New Brunswick	(391) [(255)]	(477) [(466)]	(231) [(249)]	(192) [(152)]	(189)	(124)	(79)	69		
Nova Scotia	(279) [(101)]	(98) [(71)]	17 [150]	21 [26]	29	39	61	75		
Prince Edward Island ^d	(40) [(35)]	(28) [(28)]	(35) [(17)]	0.6 [1]	2	3	4			
Newfoundland and Labrador	(538) [(1,052)]	(1,093) [(2,093)]	(1,830) [(1,717)]	(778) [(2,042)]	(683)	(507)	(654)	(243)	56	

(Table 5 is concluded on the next page.)

TABLE 5 Concluded

Province/territory	2014-15 budget [revised]	2015-16 budget [revised]	2016-17 budget [revised]	2017-18 budget [revised]	2018-19 plan	2019-20 plan	2020-21 plan	2021-22 plan	2022-23 plan
Northwest Territories.....	200	147 [110]	119 [155]	167 [75]	23				
Yukon ^e	72	23 [14]	9 [8]	7 [6]	(5)	(7)	2		
Nunavut ^f	36 [112]	23 [14]	(11) [11]	23 [(67)]	(54)	9			

millions of dollars

- a The numbers shown for 2021-2023 only appear to one decimal. The newly elected New Democratic Party government (May 5, 2015) issued an update for the 2015-16 fiscal 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 budget figures for 2016 and onward as shown are for the government reporting entity; no forecast is included in the 2017 budget, but a balanced budget was anticipated "before the end of [the] . . . second term" in 2024.
- 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 Yukon forecast major deficits because of the prior accounting for long-term spending.
- f The three-year Nunavut forecast in the 2018 budget does not include revolving fund revenues and expenditures and showed a surplus of \$8,782 in 2017-18; \$8,577 in 2018-19; \$47,311 in 2019-20; and \$105,114 in 2020-21. The operating \$54 million deficit in the budget includes revolving funds and considers accounting adjustments relating to capital. The fiscal deficit is \$28 million in 2018-19.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31.

tax, non-resident income tax, and sales tax). Thus, as was the case in 2013-14, the federal government projected that in fiscal 2018-19 it will raise almost twice as much revenue from personal income tax than from corporate income tax, non-resident income tax, and goods and services tax (GST) combined, although the personal income tax is a declining number as a share of other revenue sources. See table 6 for a tabular and detailed presentation. Table 6A shows the projected tax revenues for each province and territory as detailed in its 2018-19 budget, including total and per capita amounts.

Table 7 shows the corporate income tax rates in the provinces and territories for 2018.

From a personal income tax perspective, in recent years three provinces increased their income brackets for high income earners—British Columbia (for 2014, 2015, and 2018), Ontario (from 2012), and Quebec (from 2013)—and Nova Scotia (from 2010) continued with its high rate for taxpayers in the top bracket. Alberta, New Brunswick, Newfoundland and Labrador, and Yukon ushered in new personal income tax rates for high income earners in their 2015-16 budgets. Newfoundland and Labrador increased its tax rates on its tax brackets for 2016; for 2017, in most cases, the province increased those rates more than existing percentage rates. Newfoundland and Labrador also imposed a temporary deficit reduction levy that increased with higher tax brackets until the end of calendar 2019; in 2018, that levy applied only to taxable income over \$50,000. In the 2017-18 budget, New Brunswick lowered its top marginal personal income tax rate from 21.0 percent to 20.3 percent for taxable income exceeding \$150,000, retroactive to the beginning of 2016; beginning in 2017, the province's tax brackets were indexed for inflation. The newly elected government in Ontario vetoed a March 2018 budget proposal to increase tax rates, add a new tax bracket, and eliminate the province's two surtaxes.

Only a minority of jurisdictions do not specifically impose a higher tax rate on high income earners. In 2017, Alberta increased its credit amounts and bracket thresholds, and those amounts were indexed in 2018. Saskatchewan proposed to reduce its personal income tax rates by 0.5 of a percentage point on each of July 1, 2017 and July 1, 2019, but those rates were frozen at the 2018 level: 10.5, 12.5, and 14.5 percent. In 2017, Manitoba introduced indexation of its personal tax brackets and basic personal amount; in 2018, the bracket thresholds were \$31,843 and \$68,821, and the basic personal amount was \$9,382. In Quebec, the government's November 21, 2017 Economic Plan reduced, retroactively for all of 2017, the lowest tax rate from 16 percent to 15 percent;¹¹ Quebec also increased its basic personal tax. Nova Scotia increased certain personal income tax credits for a taxpayer earning less than \$75,000. Prince Edward Island increased certain personal tax credits; however, it continued to impose a surtax on high income earners. Nunavut and the Northwest Territories had higher brackets, perhaps reflecting the higher cost of

11 Quebec, Department of Finance and the Economy, 2017 Budget, Economic Plan, November 2017 Update, Section C: Measures for Individuals, November 21, 2017, at C.5, table C.3.

TABLE 6 Comparison of Projected Revenues from Personal and Corporate Income Tax, Sales Tax, and Non-Resident Tax – Federal, Provincial, and Territorial Jurisdictions, 2013-14 to 2018-19

Fiscal year	Federal				Provincial and territorial						
	PIT (1)	CIT (2)	Non- resident tax (3)	Sales tax (4)	Income tax (1+2+3)	Non-PIT (2+3+4)	PIT (5)	CIT (6)	Sales tax (7)	Income tax (5+6)	Non-PIT (6+7)
2013-14.....	131.5	34.6	5.4	29.9	171.5	69.9	75.9	25.6	52.6	101.5	78.2
2014-15.....	137.8	37.0	5.7	31.3	180.5	74.0	86.5	26.5	53.3	113.0	79.8
2015-16.....	143.4	36.9	6.2	32.7	186.5	75.8	90.4	28.0	55.5	118.4	83.5
2016-17.....	151.8	39.5	6.5	34.6	197.8	80.6	93.9	28.3	53.4	122.2	81.7
2017-18.....	152.1	43.6	6.9	35.1	202.6	85.6	99.3	31.0	57.7	130.3	88.7
2018-19.....	161.4	47.3	8.3	37.7	217.0	93.3	99.2	32.8	60.6	132.0	93.4

millions of dollars

CIT = corporate income tax; PIT = personal income tax.

Sources: 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 Provincial and Territorial Budgets, 2014-15,” *Finances of the Nation* feature (2015) 63:1 *Canadian Tax Journal* 157-215, at 162; Vivien Morgan, “Survey of Provincial and Territorial Budgets, 2015-16,” *Finances of the Nation* feature (2016) 64:1 *Canadian Tax Journal* 147-206, at 155; Vivien Morgan, “Survey of Provincial and Territorial Budgets, 2016-17,” *Finances of the Nation* feature (2017) 65:1 *Canadian Tax Journal* 87-145, at 96; Vivien Morgan, “Survey of Provincial and Territorial Budgets, 2017-18,” *Finances of the Nation* feature (2018) 66:1 *Canadian Tax Journal* 37-109, at 51; and this article. Federal 2018 figures from Canada, Department of Finance, 2018 Budget, Budget Plan, February 27, 2018, at 320, table A2.7.

TABLE 6A Projected Tax Revenues for Provinces and Territories, by Category and per Capita, 2018-19

Province/territory	PIT	CIT	Sales tax	Other	Total	Per capita
	<i>millions of dollars</i>					<i>dollars</i>
British Columbia	9,836	4,096	7,428	9,232	30,592	6,400
Alberta	11,387	4,551	na	6,961	22,899	5,300
Saskatchewan	2,441	621	2,155	1,998	7,215	6,200
Manitoba	3,475	566	2,463	2,337	8,841	6,600
Ontario	34,946	15,766	26,727	25,462	100,901	7,100
Quebec	30,549	8,028	20,921	7,845	67,343	8,000
New Brunswick	1,682	312	1,493	1,050	4,537	6,000
Nova Scotia	2,816	531	1,858	662	5,867	6,200
Prince Edward Island	390	60	298	222	970	6,400
Newfoundland and Labrador	1,454	201	1,169	1,777	4,601	8,700
Yukon	74	12	na	32	118	3,100
Northwest Territories	103	31	na	117	251	5,600
Nunavut	33	18	na	69	120	3,200
Total	99,852	34,164	64,593	58,326	256,935	7,000

CIT = corporate income tax; PIT = personal income tax.

living in those territories. Saskatchewan already had a tax bracket that could be said to impose a higher rate on high income earners, as does British Columbia, and several provinces imposed a high rate at a low level of taxable income. (The BC Budget 2017 Update imposed an even higher rate on taxable income over \$150,000 starting in 2018.)¹² A higher rate planned for high income earners did not materialize in Manitoba when the former government was not re-elected in 2016.

Surtaxes are sometimes applied in addition to regular provincial or territorial personal income tax. All federal, provincial, and territorial marginal personal income tax rates on ordinary income and interest, as well as surtaxes, are shown in graphic form in figure 4 as a function of taxable income. Table 8 sets out the provincial and territorial personal income tax brackets and rates for 2018.

Table 9 shows the sales tax rates in each jurisdiction for 2018. British Columbia, Saskatchewan, and Manitoba imposed a separate 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 that harmonize sales taxes with the federal GST. Quebec has its own Quebec sales tax (QST), which applies in a manner similar to the GST. Alberta and the three territories do not impose sales taxes. 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 was 15 percent,

12 British Columbia, Department of Finance, Budget 2017 Update, Tax Measures, September 11, 2017, at 60.

TABLE 7 Provincial and Territorial Corporate Income Tax Rates, 2018

Province/territory	General rate	M & P rate	Small business rate	Small business limit ^a
		<i>percent</i>		<i>dollars</i>
British Columbia	12.0	12.0	2.0 ^b	500,000
Alberta	12.0	12.0	2.0	500,000
Saskatchewan ^c	12.0	10.0	2.0	600,000
Manitoba	12.0	12.0	0.0	450,000
Ontario	11.5	10.0 ^d	3.5 ^e	500,000
Quebec	11.7	11.7	7.24 or 4.0	500,000
New Brunswick	14.0	14.0	2.62 ^f	500,000
Nova Scotia	16.0	16.0	3.0	500,000
Prince Edward Island	16.0	16.0	4.0	500,000
Newfoundland and Labrador	15.0	15.0	3.0	500,000
Northwest Territories	11.5	11.5	4.0	500,000
Yukon	12.0	2.5	2.0 or 1.5 ^g	500,000
Nunavut	12.0	12.0	4.0	500,000

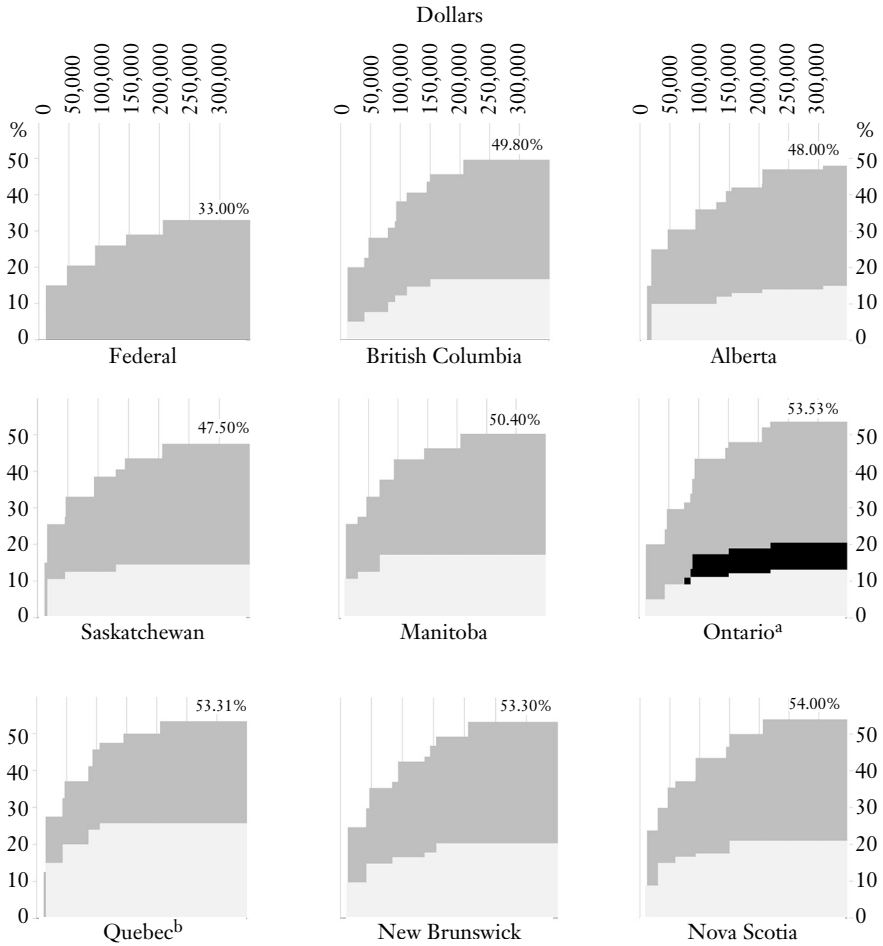
M & P = manufacturing and processing.

- 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 British Columbia's general rate increased from 11 percent to 12 percent in 2018.
- c Saskatchewan restored its general rate to 12 percent and its M & P rate to 10 percent as of July 1, 2017, and the small business threshold was raised to \$600,000 after 2017; the combined federal and Saskatchewan rate applicable to income between \$500,000 and \$600,000 is 17 percent for the taxation years ending December 31, 2018 and 2019.
- d 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.
- e Effective January 1, 2018, as announced in the 2017 budget; enacted December 14, 2017.
- f New Brunswick's small business rate applies to a small business whose taxable capital does not exceed \$15 million. Effective April 1, 2017, the small business rate was lowered from 3.5 percent to 3.0 percent. The government committed to lowering that rate to 2.5 percent over the course of its mandate; the rate dropped to 2.5 percent effective April 1, 2018.
- g 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 12, 14, 16-17, 19, 21, 24-27, and 29-31.

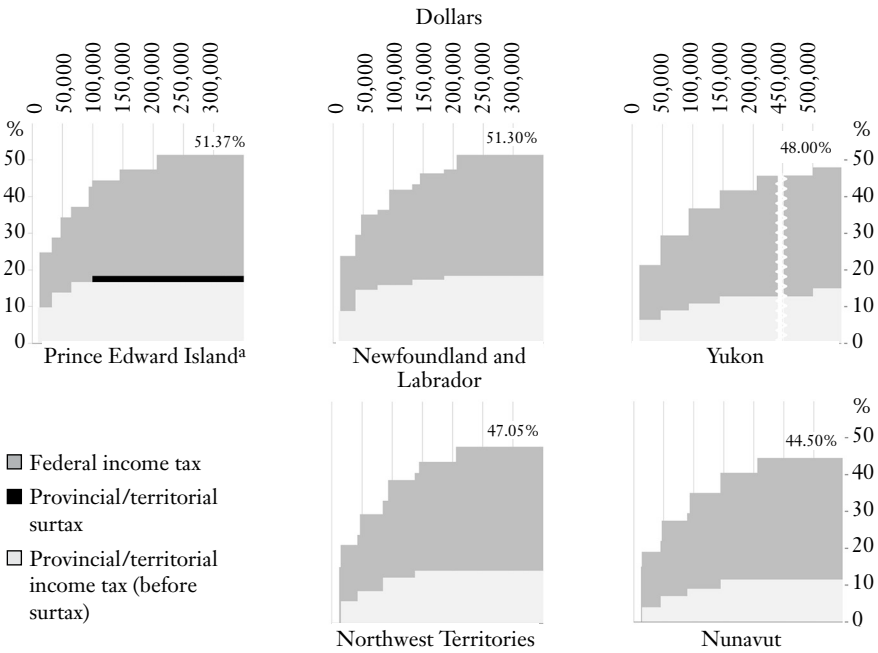
the same as the rate in Nova Scotia. In 2016, New Brunswick and Newfoundland and Labrador each increased its HST rate by 2 percentage points and Prince Edward Island increased its HST rate by 1 percentage point. In 2017, there was only one sales tax rate increase—in Saskatchewan—out of 13 provincial and territorial jurisdictions; in 2018, there were none. For 2017, Newfoundland and Labrador eliminated its point-of-sale rebate for books except on sales to certain institutions. This was expected to be a permanent removal, but public outcry resulted in the government's reversing itself for 2018 and subsequent years.

**FIGURE 4 Personal Income Tax Marginal Rates
Applicable to Taxable Income, 2018**



(Figure 4 is concluded on the next page.)

FIGURE 4 Concluded



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

Source: PricewaterhouseCoopers LLP, *Tax Facts and Figures: Canada 2018* (Toronto: PwC, 2018), at 4.

TABLE 8 Provincial and Territorial Personal Income Tax Brackets and Rates, 2018

Province/territory	Tax bracket	Rate	Surtax (percentage of regular tax) and top combined rate ^a
	<i>dollars</i>	<i>percent</i>	
British Columbia	0 to 39,676	5.06	
	over 39,676 to 79,353	7.70	
	over 79,353 to 91,107	10.50	
	over 91,107 to 110,630	12.29	
	over 110,630 to 150,000	14.70	
	over 150,000	16.80	Top combined rate of 49.80%
Alberta	0 to 128,145	10.00	
	128,145.01 to 153,774	12.00	
	153,774.01 to 205,032	13.00	
	205,032.01 to 307,547	14.00	
	over 307,547	15.00	Top combined rate of 48.00%
Saskatchewan ^b	0 to 45,225	10.50	
	over 45,225 to 129,214	12.50	
	over 129,214	14.50	Top combined rate of 47.50%
Manitoba ^c	0 to 31,843	10.80	
	over 31,843 to 68,821	12.75	
	over 68,821	17.40	Top combined rate of 50.40%
Ontario ^d	0 to 42,960	5.05	Surtax equal to 20% of basic personal tax greater than \$4,638
	over 42,960 to 85,923	9.15	Additional surtax equal to 36% of basic personal tax greater than \$5,936
	over 85,923 to 150,000	11.16	
	over 150,000 to 220,000 ^a	12.16	
	over 220,000 ^a	13.16	Top combined rate of 53.53%
Quebec	0 to 43,055	16.00	
	over 43,055 to 86,105	20.00	
	over 86,105 to 104,765	24.00	
	over 104,765	25.75	Top combined rate of 53.31%
New Brunswick ^c	0 to 41,675	9.68	
	41,676 to 83,351	14.82	
	83,352 to 135,510	16.52	
	135,511 to 154,382	17.84	
	over 154,382	20.30	Top combined rate of 53.30%
Nova Scotia ^c	0 to 29,590	8.79	
	29,591 to 59,180	14.95	
	59,181 to 93,000	16.67	
	93,001 to 150,000	17.50	
	over 150,000	21.00	Top combined rate of 54.00%

(Table 8 is concluded on the next page.)

TABLE 8 Concluded

Province/territory	Tax bracket	Rate	Surtax (percentage of regular tax) and top combined rate ^a
	<i>dollars</i>	<i>percent</i>	
Prince Edward Island	0 to 31,984	9.80	Surtax equal to 10% of basic provincial tax in excess of \$12,500 Top combined rate of 51.37%
	31,985 to 63,969	13.80	
	over 63,969	16.70	
Newfoundland and Labrador ^c	0 to 39,926	8.7	Top combined rate of 51.30%
	over 39,926 to 73,852	14.5	
	over 73,852 to 131,850	15.8	
	over 131,850 to 184,590	17.3	
	over 184,590	18.3	
Northwest Territories	0 to 42,208	5.90	Top combined rate of 47.05%
	over 42,208 to 84,420	8.60	
	over 84,420 to 137,428	12.20	
	over 137,428	14.05	
Yukon	0 to 46,605	6.40	Top combined rate of 48.00%
	46,606 to 93,208	9.00	
	93,209 to 144,489	10.90	
	144,490 to 500,000	12.80	
	over 500,000	15.00	
Nunavut	0 to 44,436	4.00	Top combined rate of 44.50%
	over 44,437 to 88,873	7.00	
	over 88,874 to 144,488	9.00	
	over 144,488	11.50	

a The top federal rate, used to arrive at the top combined rate, is 33 percent.

b Saskatchewan's 2017 rates were frozen for 2018.

c Not indexed for inflation. Manitoba's, New Brunswick's, and Nova Scotia's tax brackets were indexed starting in 2017.

d Ontario's brackets and rates remain unchanged from 2017, following cancellation of changes proposed in the March 28, 2018 budget.

e A deficit reduction levy will be phased out by end of 2019; effective July 1, 2016.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31.

TABLE 9 Provincial and Territorial Sales Tax Rates, Percent, 2018

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 ^b	5		6	11
Manitoba	5		8	13
Ontario	5	8		13
Quebec	5		9.975	14.975
New Brunswick	5	10		15
Nova Scotia	5	10		15
Prince Edward Island	5	10		15
Newfoundland and Labrador ^c	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 Saskatchewan increased its PST rate from 5 percent to 6 percent and also eliminated some exemptions in 2017.
- c Newfoundland and Labrador reinstated its point-of-sale rebate of PST for printed books for 2018 and subsequent years.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31.

PROVINCIAL AND TERRITORIAL BUDGETS BY JURISDICTION

Table 10 summarizes the various dates for the 2018-19 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 11 sets out the research and development (R & D) tax credits in each province and territory, as updated for the 2018-19 budgets. The table details rates and whether the credit is refundable and otherwise eligible for a carryforward period. In some cases, the credit is also available to an individual. An article in this feature in 2017 focused on the policy behind these subsidies from an economics viewpoint.¹³

The second part of this article shows, for each province and territory, selected fiscal figures, highlights of tax changes, and a narrative summary of tax changes with

13 Daria Crisan and Kenneth J. McKenzie, "Tax Subsidies for R & D in Canada" (2017) 65:4 *Canadian Tax Journal* 951-81.

TABLE 10 Provincial and Territorial Surplus/(Deficit) Projections, Fiscal Year 2018-19

Province/territory	Budget date	Finance minister	Projected surplus/ (deficit)
			<i>millions of dollars</i>
British Columbia	February 20, 2018	Carole James ^a	219
Alberta	March 22, 2018	Joe Ceci ^b	(8,802)
Saskatchewan	April 10, 2018	Donna Harpauer	(365)
Manitoba	March 12, 2018	Cameron Friesen	(521)
Ontario	March 28, 2018	Charles Sousa	(6,704)
	November 15, 2018 ^c	Victor Fedeli	(14,544)
Quebec	March 27, 2018	Carlos Leitão	904
New Brunswick	January 30, 2018	Cathy Rogers	(189)
Nova Scotia	March 20, 2018	Karen Casey ^d	29
Prince Edward Island . . .	April 6, 2018	Heath McDonald ^e	2
Newfoundland and Labrador	March 27, 2018	Tom Osborne ^f	(683)
Northwest Territories . . .	February 8, 2018	Robert C. McLeod	23
Yukon	March 1, 2018	Sandy Silver ^g	(5)
Nunavut	May 28, 2018	David Akeagok	(54)

a Minister of finance and deputy premier.

b President of the Treasury Board and minister of finance.

c Ontario's 2018 Fall Economic Outlook and Fiscal Review was released on November 15, 2018 by the newly elected government. Both the budget and the economic statement figures are listed in the Ontario summary, table 19.

d Minister of finance and Treasury Board.

e Minister of finance and chair of the Treasury Board.

f President of the Treasury Board and minister of finance.

g Premier and minister of finance.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12, 14, 16-17, 19, 21, 24-27, and 29-31.

accompanying tables. The figures for any particular 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; it is beyond the scope of this article to analyze differing accounting practices of each jurisdiction and the differences in those practices between jurisdictions. Notes to each table also refer to the jurisdiction's significant resource revenue, if any. The "tax highlights" section at the beginning of each section contains some of the more important tax changes and, where possible, lists them in order of precedence. The narrative summaries of tax changes are categorized under the following eight headings:

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. This category may include the taxation of unincorporated businesses.

TABLE 11 Provincial and Territorial Research and Development (R & D) Tax Credits, 2018^a

Province/territory	R & D tax credit rate (%)	Is credit refundable ²	Unused credits		Who can claim the credit ²
			Carryback (taxation years)	Carryforward (taxation years)	
Alberta ^b	10	✓	na	na	Corporation ^c
British Columbia					
Qualifying CCPC ^d	10	✓	na	na	Corporation
Other corporation	10	✗	3	10	Corporation
Manitoba	15	✓ ^e /✗	3	20	Corporation
New Brunswick	15	✓	na	na	Corporation
Newfoundland and Labrador	15	✓	na	na	Corporation and individual
Northwest Territories	na	na	na	na	
Nova Scotia	15	✓	na	na	Corporation
Nunavut	na	na	na	na	
Ontario					
Innovation tax credit ^f	8	✓	na	na	Corporation
Business research institute tax credit ^g	20	✓	na	na	Corporation
R & D tax credit	3.5	✗	3	20	Corporation
Prince Edward Island	na	na	na	na	
Quebec ^h					
R & D wage tax credit ⁱ	14 to 30	✓	na	na	Corporation and individual
University R & D tax credit ^j	14 to 30	✓	na	na	Corporation and individual
Private partnership pre-competitive tax credit ^k	14 to 30	✓	na	na	Corporation and individual
Tax credit on fees paid to a research consortium	14 to 30	✓	na	na	Corporation and individual

(Table 11 is continued on the next page.)

TABLE 11 Continued

Province/territory	R & D tax credit rate (%)	Is credit refundable?	Unused credits		Who can claim the credit?
			Carryback (taxation years)	Carryforward (taxation years)	
Saskatchewan ¹					
Qualifying CCPC ^m	10	✓	na	na	Corporation
Other corporation	10	✗	3	10	Corporation
Yukon	15 ⁿ	✓	na	na	Corporation and individual

CCPC = Canadian-controlled private corporation.

- a 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.
- b Alberta's R & D credit is 10 percent of the lesser of (1) eligible Alberta R & D expenditures and (2) the maximum expenditure level of \$4 million (to a maximum annual credit of \$400,000).
- c When R & D is carried on by a partnership, the R & D credit can generally be claimed by corporate partners except in Newfoundland and Labrador, Quebec, and Yukon, where an individual partner can also claim the credit. However, the credit cannot ever be claimed from a partnership that carries on its R & D in other provinces, such as Alberta and Ontario (except for certain programs).
- d British Columbia's refundable R & D tax credit is 10 percent of the lesser of (1) eligible BC R & D expenditures and (2) the federal R & D expenditure limit (to a maximum annual credit of \$300,000).
- e Manitoba's credit is (1) fully refundable for eligible R & D expenditures incurred in Manitoba by a corporation that has a Manitoba permanent establishment and a contract with a qualifying research institute, and (2) 50 percent refundable for in-house R & D expenditures.
- f The Ontario innovation tax credit is available on up to \$3 million of expenditures for a corporation that has taxable income under \$500,000 and taxable capital under \$25 million (to a maximum annual credit of \$240,000). A corporation is eligible for a partial credit if its taxable income is over \$500,000 but less than \$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 set in the previous year on a worldwide associated basis.
- g The Ontario business research institute tax credit applies to 20 percent of qualifying payments (up to \$20 million annually on an associated basis) to an Ontario eligible research institute (to a maximum annual credit of \$4 million).
- h For all Quebec R & D tax credits, the following rates and conditions apply:
 1. 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 set in the previous year on a worldwide associated basis (consolidated).

(Table 11 is concluded on the next page.)

TABLE 11 Concluded

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2. The tax credit rate is 14 percent for Quebec corporations controlled by non-residents. Asset thresholds do not apply.
 3. An exclusion threshold is allocated among the Quebec R & D tax credits proportionally to the amount of eligible expenditures of each R & D tax credit. 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
 - a. \$50,000 for a corporation whose assets are \$50 million or less,
 - b. an amount that increases linearly between \$50,000 and \$225,000 for a corporation whose assets are between \$50 million and \$75 million, and
 - c. \$225,000 for a corporation whose assets are \$75 million or more.
 Asset thresholds are set in the previous year and are not on an associated basis.
 - i. 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).
 - j. Quebec's university R & D tax credit may be available on 80 percent of a payment to an eligible entity such as a university, a public research centre, or a research consortium.
 - k. For the Quebec private partnership pre-competitive tax credit, a qualified expenditure may include (1) wages paid relating to R & D, (2) 80 percent of a payment to an arm's-length subcontractor (generally excluding a university, a public research centre, and a research consortium contract), (3) payment for some materials, or (4) payment for an overhead (or proxy) amount.
 - l. Saskatchewan's total refundable and non-refundable tax credits are capped at \$1 million per taxation year.
 - m. Saskatchewan's refundable R & D tax credit is 10 percent of the lesser of (1) eligible Saskatchewan R & D expenditures and (2) \$1 million in qualifying expenditures (maximum annual credit is \$100,000).
 - n. Yukon's rate is 20 percent for R & D expenditures made to Yukon College.

Source: Table data prepared by Geneviève Ferland of PricewaterhouseCoopers LLP, Montreal, and Cathleen Hibbard of PricewaterhouseCoopers LLP, Toronto.

3. **Sales tax:** HST, GST, PST, QST.
4. **Sin taxes:** alcohol, tobacco, and cannabis taxes.
5. **Resource-related matters:** resource deductions, credits, royalties, and other items.
6. **Real estate taxes:** land transfer taxes and property taxes.
7. **Pensions:** includes 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 (TABLE 12)**Tax Highlights**

- Corporate income tax rate increases to 12 percent in 2018 (2017 budget)
- Top personal rate added for high income earners in 2018 (2017 budget)
- No other personal income tax rate or bracket increases

Tax Changes**1. Corporate Income Tax**

The general corporate tax rate increased by 1 point, from 11 percent to 12 percent, in 2018 as announced in the 2017 budget.

The small business tax rate decreased from 2.5 percent to 2 percent after March 2017 as announced in the 2017 budget. The small business tax rate for 2018 was 2 percent as announced in the 2018 budget.

The farmers' food donation tax credit was extended for one year, to the end of 2019. The credit and extension apply to individuals too.

The interactive digital media tax credit was extended for corporations for five years, to August 31, 2023.

For expenditures incurred on or after February 21, 2018, the BC film incentive tax credit was expanded to include scriptwriting expenditures on BC labour incurred by a corporation before the final script stage of production was complete. Previously, only scriptwriting expenditures incurred after the final script stage were eligible for a tax credit.

The 2018 budget extended the book publishing tax credit for three more years, to March 31, 2021.

2. Personal Income Tax

The 2018 budget did not increase the personal income tax rates or brackets. The Budget 2017 Update raised the top marginal rate starting in 2018.¹⁴

Starting in 2018, “the caregiver tax credit and the infirm dependant tax credit were replaced with a new [non-refundable] BC caregiver credit” that “paralleled the Canada caregiver credit announced in the 2017 federal Budget.”¹⁵ To be eligible, British Columbians must care for an eligible adult relative dependent on the caregiver because of his or her mental or physical infirmity, whether or not he or she lives with the caregiver. The maximum credit amount was \$4,556—a benefit of \$230.33—and was indexed for 2019 and subsequent years. A spousal tax credit or an eligible dependant tax credit could be taken instead if available and greater; a single

14 See supra note 12.

15 British Columbia, Ministry of Finance, 2018-19 Budget, Tax Measures—Supplementary Information, February 20, 2018, at 66. (See also Canada, Department of Finance, 2017 Budget, March 22, 2017.)

**TABLE 12 Projected Revenues and Expenditures, British Columbia,
Fiscal Year 2018-19**

	<i>millions of dollars</i>
Total revenues	54,193
Total expenditures	(53,624)
Reserve	(350)
Surplus/(deficit)	<u>219</u>
Revenue sources	
Personal income tax	9,836
Corporate income tax	4,096
Sales tax	7,428
Other taxes	<u>9,232</u>
Total tax revenue	30,592
Federal transfers	8,930
Other revenues	<u>14,671</u>
Total revenues	<u>54,193</u>
Expenditures	
Education	13,897
Health	21,651
Debt servicing	2,739
Other expenditures	<u>15,337</u>
Total expenditures	<u>53,624</u>

Notes: Revenue shown after Insurance Corporation of British Columbia impact. Expenditure figures were estimated by function. Revenue included commercial Crown corporation net income.

Source: British Columbia, Ministry of Finance, 2018-19 Budget, February 20, 2018.

individual caring for an infirm adult relative could claim the greater of this credit and the eligible dependant tax credit.

The elimination of the BC education tax credit for 2019 and following tax years paralleled the elimination of the federal education tax credit. Carryforwards could be used in 2019 and following years for education amounts from pre-2019 tax years.

The mining flowthrough share tax credit was extended for one year to the end of 2018.

Medical services plan premiums will be eliminated in 2020, following a 50 percent reduction effective in 2018, according to an announcement on December 27, 2017. Individuals were to see annual savings of up to \$900; families were to see annual savings of up to \$1,800. (The 2017 budget did not increase premiums by 4 percent, as announced in September 2016.) Although at one point a household was required to register for the reduced premium, it seemed that for elimination, registration was not required because the benefit was not determined by income. In November 2017, a task force was established to examine the best replacement policy; a final report with recommendations was released in March 2018.

Medical services premiums were to be replaced by an employer health tax (EHT) effective after 2018. The EHT applies to all employers other than small businesses with a payroll of less than \$500,000. The tax is phased in gradually, with rates ranging between 0.98 percent and 1.95 percent depending on payroll, as set out in table 13. Future details were promised on instalments and the sharing of exemption limits among associated corporations.

3. Sales Tax

Effective April 1, 2018, the exemption for avalanche airbag backpacks includes all avalanche backpacks, not just those triggered by compressed air.

On a date to be specified in regulations, the legislation and regulations are amended to enable online accommodation platforms such as Airbnb to register as PST collectors for the collection and remission of PST and the municipal and regional district tax on accommodation. Thus, owners and lessors—hosts of accommodation units—need not register. The platforms enable or facilitate transactions between buyers and providers of short-term accommodation in the province.

From a date specified in regulations, revenue from the municipal and regional district tax collected by municipalities, regional districts, and eligible entities (such as tourism-focused non-profits) can be used to fund affordable-housing initiatives. Currently, those funds can be used only for tourism marketing, programs, and projects.

Effective retroactive to April 1, 2013, the British Columbia Provincial Sales Tax Act clarified that PST applies to software provided in optional as-needed maintenance agreements.

Effective April 1, 2018, the luxury surtax on passenger vehicles with a purchase price of \$125,000 to \$149,999 increased from 5 percent to 10 percent (from 12 percent to 15 percent for private sales); for vehicles with a cost of \$150,000 or more, the surtax increased from 10 percent to 20 percent (from 12 percent to 20 percent for private sales). The new rates applied to new and previously owned vehicles.

Effective on royal assent, services—not just goods and software—may be included in a tax payment agreement between the province and an interjurisdictional railway.

Effective retroactive to April 1, 2013, a retailer on a cruise ship in British Columbia waters was not required to collect PST on sales made during the course of scheduled sailings.

4. Sin Taxes

Tobacco tax on a carton of 200 cigarettes increased from \$49.40 to \$55.00 (from 24.7 cents to 27.5 cents per cigarette) effective April 1, 2018, and from that date also increased for loose tobacco from 24.7 cents per gram to 37.5 cents per gram.

TABLE 13 BC Employer Health Tax Effective After 2018

Annual BC payroll	Annual tax	Tax as a percentage of payroll
	<i>dollars</i>	<i>percent</i>
\$500,000 or less	na	na
\$500,000-\$750,000	7,313	0.98
\$750,000-\$1,000,000	14,625	1.46
\$1,000,000-\$1,250,000	21,938	1.76
\$1,250,000-\$1,500,000	29,250	1.95
Over \$1,500,000	29,250	1.95
	plus 1.95% of excess	

Source: British Columbia, Ministry of Finance, 2018-19 Budget, Tax Measures, February 20, 2018, at 74.

5. Resource-Related Matters

The Motor Fuel Tax Act refund rates for an international fuel tax agreement licensee will increase to reflect carbon tax increases on April 1 of each year from 2018 to 2021, ensuring that the licensee pays carbon tax only on fuel used within the province.

Effective April 1, 2018, marine diesel fuel used in interjurisdictional cruise ships and ships prohibited from coasting trade under the Coasting Trade Act is exempt from motor fuel tax, paralleling a carbon tax exemption for those ships.

Effective April 1, 2018, motor fuel tax rates on clear gasoline and clear diesel in the Capital Regional District increased from 3.5 cents per litre to 5.5 cents per litre. The tax increase—which is expected to raise \$7 million annually—was intended to help finance the Victoria Regional Transit Commission and its share of funding for the Victoria transit system.

Effective retroactive to February 18, 2014, an exemption was provided for security for refiner collectors that acquired fuel for retail sale from other refiner collectors. A refund was available for security paid.

The Budget 2017 Update increased, effective April 1, 2018, the carbon tax rates by \$5 per tonne of carbon dioxide equivalent emissions annually until the rates equal \$50 per tonne on April 1, 2021.¹⁶

6. Real Estate Taxes

Effective February 21, 2018, a further 2 percent tax applied to the residential portion (a residential taxable transaction) with a fair market value (FMV) exceeding \$3 million. Previously, the tax was 3 percent of the FMV of a residential taxable transaction that exceeded \$2 million.

¹⁶ Budget 2017 Update, *supra* note 12, at 65.

Effective February 21, 2018, the additional property transfer tax rate was increased from 15 percent to 20 percent. Newly added areas were the Capital Regional District, the Regional District of Central Okanagan, the Fraser Valley Regional District, and the Regional District of Nanaimo; transitional rules may exempt regional transactions entered into before the effective date, but there are no such rules for Metro Vancouver transactions.

Effective for transactions after February 20, 2018, transfers of a bankrupt's principal residence from a trustee in bankruptcy or a (former) spouse are exempt from the property transfer tax regardless of whether any consideration was exchanged.

Announced on January 2, 2018, the property value threshold for the full homeowner grant was increased from \$1.6 million in 2017 to \$1.65 million in the 2018 tax year. The grant was reduced by \$5 for every \$1,000 of assessed value that exceeded the threshold.

Effective for 2019 and subsequent years, the school tax rate will increase for high-value properties in the residential class including detached homes, stratified condominium or townhouse units, and most vacant land. The tax increase, which applies to residential assessed value exceeding \$3 million, is 0.2 percent for property valued at over \$3 million and up to \$4 million, and 0.4 percent on the value over \$4 million. The tax will be administered through the existing school tax system, with municipalities and the provincial surveyor of taxes being responsible for collection.

According to longstanding policy, non-residential school property tax rates were increased by inflation plus new construction. Rates were set when revised assessment roll data became available in the spring. However, both the major and light industry classes of school property tax rates were set at the same rate as the business class tax rate, consistent with the policy in the 2008 budget. The Hydro and Power Authority Act was clarified to limit the authority's school tax liability to land that it owned in fee simple and improvements, without affecting Nisga'a lands or taxing Treaty First Nations lands.

The average residential class school property tax increased, in accordance with longstanding policy, by the province's inflation rate in the previous year. Rates were to be set when revised assessment roll data became available in the spring.

Effective for 2019 and subsequent tax years, municipal revitalization property tax exemptions applied to eligible new purpose-built non-stratified rental housing (or substantially renovated with a minimum net gain of five units) if the municipality issued a relevant certificate after February 20, 2018. Terms of the municipal exemption reflect the provincial exemption.

A speculation tax on residential provincial property applied first in 2018 as an annual property tax (in Metro Vancouver and the Fraser Valley, Capital, and Nanaimo regional districts, and in the municipalities of Kelowna and West Kelowna) to target foreign and domestic homeowners who did not pay income tax in the province, including owners of vacant property. Most homeowners were exempt up front, including owners of long-term rental properties and certain special cases. A non-refundable income tax credit was available for those who paid income tax; the

credit could be carried forward. The tax rate was \$5 per \$1,000 of assessed value in 2018 and \$20 per \$1,000 of assessed value in 2019. The tax was administered by the province, outside the normal property tax system and its cycle. The reporting form collects information such as the taxpayer's social insurance number (SIN), household information, worldwide income information, information relating to upfront exemptions, and other information useful for audits and enforcement. Relevant information is made available to the Canada Revenue Agency (CRA).

The single rural area residential property tax rate increased for 2018 by the previous year's inflation rate, in accordance with longstanding policy. Similarly, rural area non-residential property tax rates increased by inflation plus the tax on new construction. Rates were set when revised assessment data became available in the spring.

Online accommodation platforms were enabled to collect and remit PST and municipal and regional district tax on short-term accommodation, effective on a date proclaimed by regulation.

Municipalities, regional districts, and eligible entities, such as tourism-focused non-profits, that receive revenue from the municipal and regional district tax will be allowed to use revenue to fund affordable-housing initiatives.

The province is examining the property tax treatment of residential property in the Agricultural Land Reserve as part of its broader review to ensure that such land is being used in farming.

7. Pensions

No changes were announced.

8. Other

The province introduced several changes to enhance administration and information sharing. The Property Transfer Tax Act was amended to increase the limitation period, enable additional information to be collected, introduce administrative penalties for non-compliance, extend GAAR to the entire Act, and enable tax administrators to access additional information on property transactions, including from the Multiple Listing Service (MLS) database. A fee was to be newly charged to recover the costs of out-of-province audits for the Carbon Tax Act, the Motor Fuel Tax Act, and the Provincial Sales Tax Act, at a date promised to be specified in regulations. The provincial Income Tax Act was amended effective for a transaction entered into on or after February 20, 2018, or a series completed by that date, to introduce a reportable transaction rule paralleling federal rules and requiring proactive disclosure by taxpayers and their advisers of certain avoidance transactions; that act was also amended to parallel federal rules relating to GAAR effective February 21, 2018. Effective on royal assent, the Income Tax Act and the Land Tax Deferment Act were amended to allow information sharing between the two acts, and the Income Tax Act and the Logging Tax Act were also amended, effective on royal assent, to no longer require the lieutenant governor in council to preapprove information-sharing agreements entered into under those acts. Introduction of a

new data collection system to improve the collection and accuracy of oil and natural gas royalty information requires amendments to the Petroleum and Natural Gas Act to ensure privacy of collected information and to allow proper sharing of information. Amendments are effective on royal assent and include changes regarding non-compliance and reporting errors by industry participants, giving tax authorities power to penalize the non-payment of royalties. Work has begun to allow the collection of SINs—expected to begin in 2019—for the homeowner grant application process.

The province intends to require developers to collect and report comprehensive information relating to the assignment of pre-sale condominium purchases.

The province is taking steps to track beneficial ownership information by requiring additional information as part of the property transfer tax form and to establish a publicly accessible registry of the beneficial owners of all property in British Columbia.

ALBERTA (TABLE 14)

Tax Highlights

- No new tax increases
- Tax credits intended to diversify the economy

Tax Changes

1. Corporate Income Tax

A refundable interactive digital media tax credit was introduced. The credit was 25 percent of eligible labour costs incurred after March 2018, with an additional 5 percent for a company that employed workers from underrepresented groups. Details of the diversity and inclusion enhancement were promised to be provided when regulations were introduced. The annual budget was set to reach \$20 million by 2020-21.

The capital investment tax credit (CITC), announced in the 2016 budget as a part of the Alberta Jobs Plan, benefited a corporation that invested in eligible capital assets beginning in 2017 by providing a 10 percent non-refundable credit for up to two years. The credit benefited spending on property or other capital in eligible industries such as value-added agriculture, M & P, tourism infrastructure, and culture. The 2018 budget extended the credit to 2021-22. Support was \$30 million annually.

In addition to the CITC and as part of the Alberta Jobs Plan, the government implemented the Alberta investor tax credit (AITC) to support jobs and economic diversification. The 2018 budget also extended the AITC until 2021-22. The AITC was a 30 percent credit for an equity investment in an eligible Alberta business that undertook research, development, or commercialization of new technology, new products, or new processes. The AITC also applied to a business engaged in interactive digital media development, video post-production, digital animation, or tourism.

TABLE 14 Projected Revenues and Expenditures, Alberta, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	47,879
Total expenditures	(56,181)
Risk adjustment	(500)
Surplus/(deficit)	<u>(8,802)</u>
Revenue sources	
Personal income tax	11,387
Corporate income tax	4,551
Sales tax	na
Other taxes	<u>6,961</u>
Total tax revenue	22,899
Federal transfers	8,218
Other revenues	<u>16,762</u>
Total revenues	<u>47,879</u>
Expenditures	
Education	8,228
Health	22,057
Debt servicing	1,921
Other expenditures	<u>23,975</u>
Total expenditures	<u>56,181</u>

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 \$3,829 million, but were still significantly lower than in 2014-15. 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.

Source: Alberta, Ministry of Treasury Board and Finance, 2018-19 Budget, March 22, 2018.

An additional 5 percent credit was available for investments in eligible business corporations that met diversity and inclusion criteria; details were promised with the introduction of regulations. The AITC program had an annual budget of \$30 million. The tax credit was available via certificate to an eligible individual or corporation that was approved after application. An individual must file the certificate with his or her personal income tax return and can claim a refundable AITC of up to \$60,000 per annum, or up to \$300,000 over five years. A corporation can claim a non-refundable AITC on its tax return without any maximum limit on the amount of the credit. Funding was provided on a first-come, first-served basis.

2. Personal Income Tax

See the description of the AITC above.

As promised in the 2016 budget, income tax brackets began to be indexed as of 2017. Credit amounts and bracket thresholds increased by 1.2 percent in 2018.

3. Sales Tax

No changes were announced. Alberta does not impose a sales tax.

4. Sin Taxes

Alberta would collect the revenue from the sale of cannabis upon legalization in 2018. In December 2017, the provincial and federal governments agreed to principles to govern tax collection and sharing in the first two years in order to keep prices low and curtail the illegal market. The governments agreed to share tax revenues equal to the greater of \$1 per gram and 10 percent of the product price; the provinces would receive 75 percent of the tax room and could also collect additional tax of up to 10 percent of the retail price. The federal government would use the federal excise tax to collect the tax on Alberta's behalf and distribute the revenue to the province. The Alberta Gaming and Liquor Commission (AGLC) collected a markup on wholesale distribution and retail sales of cannabis through the public online system. Markups were limited to costs of the AGLC's cannabis operations and a reasonable profit margin.

5. Resource-Related Matters

A carbon fee (carbon price) was imposed for large emitters effective after 2016. Table 15 shows the rates on major fuels for 2017 and 2018; a full list was contained in the 2016 budget. Some exemptions apply.

6. Real Estate Taxes

The total education property tax requisition was frozen for 2018-19. However, the farmland rate increased from \$2.48 to \$2.56 per \$1,000 of equalized assessment and the non-residential rate increased from \$3.64 to \$3.76 owing to lower assessed values in 2016. The provincial government's share of total provincial-municipal property tax revenue decreased from 51 percent in 1994 (when the province assumed responsibility for this tax) to 25 percent in 2016.

7. Pensions

No changes were announced.

8. Other

The Alberta government sought public input into the preparation of its 2018 budget. Scheduled input was received until early February 2018.

TABLE 15 Alberta Carbon Levy Rates, Major Fuels, 2017 and 2018

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, Treasury Board and Finance, 2017-18 Budget, Fiscal Plan, March 16, 2017, at 60.

SASKATCHEWAN (TABLE 16)

Tax Highlights

- General and M & P corporate rates revert to pre-July 2017 rates
- Personal income tax rates frozen at 2018 rates
- Sales tax exemptions for vehicles amended

Tax Changes

1. Corporate Income Tax

The 2017 budget announced that the general corporate income tax rate was reduced by 0.5 of a percentage point on July 1, 2017 and is reduced again by that amount on July 1, 2019, for a total reduction from 12 percent to 11 percent. The rate reduction was prorated for straddle corporate taxation years. The M & P income tax rate was thus reduced from 10 percent to 9 percent. The 2018 budget restored the general corporate rate to 12 percent after 2017 and restored the province's M & P rate to 10 percent after 2017. There was no change to the small business threshold, which rose from \$500,000 to \$600,000 after 2017 in accordance with the 2017 budget. The 2 percent rate for Canadian-controlled private corporations (CCPCs) is still applicable to active business income within that threshold.

To encourage business investment, the 2018 budget introduced a new Saskatchewan value-added agriculture incentive (SVAI) to provide a non-refundable 15 percent corporate income tax credit for qualifying new capital expenditures. Eligible activities were defined as the physical transformation or upgrading of any raw/primary agricultural product or any agricultural by-product or waste into a new or upgraded product. Examples of such activities included pea protein processing, canola seed crushing, oat milling, malt production, and cannabis oil processing; cleaning, bagging, handling, and/or storing of primary products did not qualify. Qualifying projects included new or existing value-added agriculture facilities making capital expenditures of at least \$10 million related to new or expanded productive capacity. Applicants were encouraged to contact the Saskatchewan Ministry of Trade and Export Development for further information or for conditional approval; in the

TABLE 16 Projected Revenues and Expenditures, Saskatchewan, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	14,244
Total expenditures	(14,609)
Surplus/(deficit)	<u>(365)</u>
Revenue sources	
Personal income tax	2,441
Corporate income tax	621
Sales tax	2,155
Other taxes	<u>1,998</u>
Total tax revenue	7,215
Federal transfers	2,462
Other revenues	<u>4,567</u>
Total revenues	<u>14,244</u>
Expenditures	
Education	3,263
Health	5,765
Debt servicing	434
Other expenditures	<u>5,147</u>
Total expenditures	<u>14,609</u>

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 \$1,482 million for fiscal year 2018-19. 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.

Source: Saskatchewan, Ministry of Finance, 2018-2019 Budget, April 10, 2018.

next stage, the ministry issued a letter of conditional SVAI approval. After construction of new facilities was completed and operations were initiated, the conditionally approved applicant would provide evidence of eligibility, confirmed by a certificate granted by the ministry that indicated the amount of qualifying capital expenditures. A claim for the SVAI credit was made by submitting the certificate of eligibility to the Saskatchewan Department of Finance along with the CRA's notice of assessment. A rebate of the credit was limited to 20 percent of expenditures in year 1 of operations, 30 percent in year 2, and 59 percent in year 3. Unused credits could be carried forward for up to 10 years after the facility began operations. The program will terminate after 2022.

To encourage business investment in early-stage technology startups, the 2018 budget introduced the Saskatchewan technology startup incentive (STSI) to address the capitalization challenges faced by Saskatchewan technology startups. The non-refundable credit was equal to 45 percent of qualifying new investments in eligible

small businesses—that is, early-stage technical startups that (1) develop new technologies in a new way, to create proprietary new products, services, or processes that are repeatable and scalable; (2) have fewer than 50 employees; (3) are incorporated and headquartered in Saskatchewan; and (4) have a majority of staff and operations located in Saskatchewan. Investors may be accredited—including local investment fund managers and financial institutions—or non-accredited (they can invest within the limits of provincial securities legislation). Venture capital corporations may also raise capital and invest under the STSI program’s terms. On making an investment, an eligibility certificate from Innovation Saskatchewan may be used to claim a credit of up to \$140,000 per annum or \$225,000 in total. Credits may be carried forward for four years after making an investment. During the minimum hold period of two years, the investee cannot be acquired, go public, or leave the province. At the end of two and a half years, the program will be evaluated. For further information, interested parties are encouraged to contact Innovation Saskatchewan at 306-933-7389.

2. Personal Income Tax

The 2017 budget reduced the province’s three personal income tax rates, one corresponding to each marginal tax bracket: each rate (11, 13, and 15 percent) was reduced by 0.5 of a percentage point first on July 1, 2017 and again on July 1, 2019, to new rates on the latter date of 10, 12, and 14 percent, respectively. The 2018 budget temporarily froze tax rates before any deduction for 2019 and 2020; thus, personal tax rates were frozen at 2018 levels: 10.5, 12.5, and 14.5 percent.

The dividend tax credit for non-eligible dividends was increased in 2018: from 3.367 percent in 2017, to 3.333 percent in 2018, and to 3.362 percent after 2018. The credit increase accounts for an automatic increase in provincial income taxes as a result of a federal change beginning in 2018.

Saskatchewan did not mirror a federal change to consolidate its caregiver-related income tax credits into a single caregiver tax credit. Saskatchewan maintained the existing provincial infirm dependant tax credit and caregiver tax credits for a total maximum credit amount of \$9,464, as compared with the federal maximum credit of \$6,883.

The STSI, discussed above, was also available to an individual.

3. Sales Tax

On February 26, 2018, Saskatchewan announced that the following insurance premiums were immediately exempt from the 6 percent PST, retroactive to August 1, 2017 (when insurance premiums became taxable in the province): individual and group life insurance; individual and group health, disability, accident, and sickness insurance; and agriculture insurance, including crop and livestock insurance, hail insurance, and margin/income insurance.

Following substantial consultations with Saskatchewan’s vehicle dealers, the PST exemption for used light trucks was eliminated effective April 11, 2018. PST continued to apply to all other used vehicles.

The 2018 budget announced, effective April 1, 2018, the restoration of the trade-in allowance for PST: the value of a trade-in was now PST-exempt on the purchase of a vehicle.

The budget also announced that in lieu of a \$3,000 deduction, a purchaser of a used vehicle acquired through a private sale and registered for personal or farm use (non-commercial) was eligible for a \$5,000 deduction for PST purposes.

The budget also announced that PST did not apply to used vehicles that were gifted by a qualifying family member, such as a spouse, parent, legal guardian, child, grandparent, grandchild, or sibling. Rules in place prevented unfair avoidance of tax.

An exemption since 2003 for ENERGY STAR® certified appliances was intended to encourage the purchase of such items by consumers. The PST exemption was felt to be no longer needed—those appliances now were standard and represented a majority of sales—and the budget eliminated the PST exemption effective April 11, 2018.

PST applied to all sales of cannabis in the province.

In 2018, the government changed its PST legislation so that it could collect the tax from an out-of-province vendor (including streaming services such as Netflix) if the supply was used or consumed in the province.

4. Sin Taxes

Saskatchewan announced that it intended to enter into a two-year agreement with the federal government concerning the payment to the province of 75 percent of the federal excise duty collected on cannabis sales. Saskatchewan would also receive its share of revenue above the \$100 million cap on federal revenues therefor. PST also applied to all sales of cannabis in the province. Uncertainty concerning the date of legalization, the size of the market, and the anticipated retail price meant that no revenue from such sales was included in the 2018 budget.

5. Resource-Related Matters

No changes were announced. The budget did not introduce a carbon tax.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

There was no discussion in the budget of a Saskatchewan carbon-pricing regime; Saskatchewan said that it will launch a judicial challenge to the federal government's proposed nationwide tax.

MANITOBA (TABLE 17)**Tax Highlights**

- No new taxes or tax increases
- Some tax credits extended and new credits created
- Small business deduction threshold increases to \$500,000 after 2018

Tax Changes**1. Corporate Income Tax**

The small business deduction threshold was increased from \$450,000 to \$500,000 after 2018. The small business provincial rate was 0 percent for active business income up to the threshold.

The book publishing tax credit—for an individual or a corporation—was extended by the 2017 budget for one year, to December 31, 2018. The refundable credit, which was intended to support the development of the province's book publishing industry, was equal to 40 percent of eligible Manitoba labour costs. The 2018 budget again extended the credit for one additional year, to December 31, 2019.

The cultural industries printing tax credit—available to an individual or a corporation—was also extended for one year, to December 31, 2019. The credit was intended to assist in the development of the province's printing industry.

A refundable corporate tax credit for child-care centre development was introduced to stimulate the creation of licensed child-care centres in workplaces. The new credit was available after budget day and before 2021 to a taxable private corporation that created a new child-care centre, for a total credit benefit of \$10,000 per infant or preschool space created, up to a maximum of 200 spaces. The corporation must not be primarily engaged in child-care services. The credit could be claimed over five years.

For the small business venture capital tax credit—available to an individual or a corporation—the \$15 million revenue cap on an eligible corporation's size was eliminated, and the investment minimum was lowered from \$20,000 to \$10,000; both changes were effective March 12, 2018. These changes made the credit accessible to larger corporations and also allowed smaller investments by shareholders.

The rental housing construction tax credit would be eliminated after 2018, but this would not affect projects under provincial review or those that were already provincially approved provided that the project was available for use before 2021.

2. Personal Income Tax

Pursuant to the 2016 budget, the personal income tax brackets and base personal amount were indexed to inflation starting in 2017; the indexing factor of 1.5 percent was set in November 2016. In 2018, the personal income tax brackets were \$0 to \$31,843, over \$31,843 to \$68,821, and over \$68,821; indexation was expected to continue in subsequent years.

TABLE 17 Projected Revenues and Expenditures, Manitoba, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	16,787
Total expenditures	(17,423)
In-year adjustments/lapse	<u>115</u>
Surplus/(deficit)	<u>(521)</u>
Revenue sources	
Personal income tax	3,475
Corporate income tax	566
Sales tax	2,463
Other taxes	<u>2,337</u>
Total tax revenue	8,841
Federal transfers	4,496
Other revenues	<u>3,450</u>
Total revenues	<u>16,787</u>
Expenditures	
Education	4,453
Health	6,751
Debt servicing	1,034
Other expenditures	<u>5,185</u>
Total expenditures	<u>17,423</u>

Notes: The summary budget's government reporting entity 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. Expenditures for health and education were shown by department.

Source: Manitoba, Department of Finance, Budget 2018, March 12, 2018.

The 2018 budget announced a large increase in the basic personal amount for the 2019 and 2020 taxation years, to \$10,392 and \$11,402, respectively. The basic personal amount increased, to match inflation, from \$9,271 in 2017 to \$9,382 in 2018.

The 2018 budget announced that the labour-sponsored fund tax credit—virtually unused by Manitobans since its introduction in 1991-92—would be eliminated for shares acquired after 2018. This budget measure was not implemented, and approved shares acquired after 2018 continue to be eligible for the credit.

A claim for the primary caregiver tax credit was simplified. Preapproval by the regional health authorities or by Manitoba Families was eliminated. The credit eligibility process was also changed: in lieu of an application, a caregiver must submit a copy of a completed registration form to Manitoba Finance and claim the credit on his or her income tax return. A caregiver who applied to Manitoba Health or Manitoba Families between January 1 and March 12, 2018 had his or her form forwarded to Manitoba Finance for registration. The process was also simplified by introducing a flat annual \$1,400 credit for any caregiver, eliminating the calculation of the credit based on the number of days that care was provided, but eligibility

remained subject to an existing 90-day threshold of care before a credit could be claimed.

The education property tax credit was amended effective after 2018; from 2019, the credit would be based on school taxes and the \$250 deductible would be eliminated. The seniors' education property tax credit would also be calculated on the school tax portion. With this change, all property tax credits would be based on school taxes effective beginning in 2019.

See the discussion of corporate income tax changes above, some of which apply to an individual.

3. Sales Taxes

Effective after April 2018, two new sales tax exemptions were introduced, for drill bits designed specifically for oil or gas exploration or development, and for fertilizer bins used in a farming operation.

The 2018 budget confirmed that the PST rate would drop to 7 percent by 2020.

4. Sin Taxes

Effective at midnight on March 12, 2018, the tobacco tax rate for fine-cut tobacco increased from 28.5 cents per gram to 45 cents per gram. The rate on cigarettes, cigars, and raw-leaf and other tobacco products remained unchanged.

5. Resource-Related Matters

Effective September 1, 2018, Manitoba's carbon tax imposed a tax of \$25 per tonne of greenhouse gas emissions that applied to gas, liquid, and solid fuel products intended for combustion in Manitoba. Existing international fuel tax agreement rules for commercial transportation and trucking that prorate fuel-use charges to a jurisdiction also applied to the carbon tax in Manitoba. Not subject to the carbon tax were certain fuel uses and exemptions provided to protect sectors and industries that are trade-exposed to jurisdictions that do not have a comparable carbon price, to protect the agricultural sector, and to apply only to emissions in the province. The main exemptions were for agricultural process emissions, marked fuels, and output-based pricing system entities that emitted at least 50,000 tonnes of CO₂-equivalent per year. (A smaller entity was exempt if government-approved.) The carbon tax was collected and remitted as follows: on transportation fuels, through the existing fuel tax system; on natural gas, by Manitoba Hydro; and on other products, by the purchaser. The carbon tax will be returned to Manitobans in the form of tax cuts in the next four years.

The carbon tax rates applied to major fuels are shown in table 18.

6. Real Estate Taxes

The government promised that the education property tax would be calculated differently, and the administration of the tax would be streamlined to benefit low-income renters and municipalities.

TABLE 18 Manitoba Carbon Tax Rates by Select Fuel Type, 2018-2022

Type of fuel	Tax rate per unit
Gasoline	5.32 ¢/L
Diesel	6.71 ¢/L
Natural gas	4.74 ¢/m ³
Propane	3.87 ¢/L

L = litre; m³ = cubic metre.

Source: Manitoba, Department of Finance, 2018 Budget, Tax Measures, March 12, 2018, C3, figure 1.

7. Pensions

No changes were announced.

8. Other

Effective after 2018, the profits tax of 1 percent applicable to credit unions and caisses populaires with taxable income of over \$400,000 was eliminated.

The special tax deduction for credit unions and caisses populaires, which allowed for lower tax on part of their income, was phased out over five years starting after 2018, in line with similar measures adopted by some provinces and the federal government. These entities have continued access to the small business deduction.

Administrative and technical updates were made. Tobacco tax enforcement measures and the administration of the insurance corporations tax were streamlined.

The following changes were made to the provincial Income Tax Act: streamlining of the application for the education property tax credit on the property tax statement in order to ensure self-assessment (depending on the timing of notification by the relevant municipality); removal of ambiguity regarding access to the community enterprise development tax credit via regulations; updating of the R & D tax credit to ensure consistency with federal income tax changes; retroactive amendment of the small business deduction for credit unions to ensure that the administration of the deduction reflects provincial policy and legislation; amendment of right-of-recovery provisions to reflect the federal administration of the deduction of Manitoba tax credits from a taxpayer who owes tax in another province; and amendment of green energy equipment tax credit regulations to allow related retroactive regulations by the minister of finance.

The province promised amendments that would allow chiropractors to provide professional services through professional corporations.

An insurance business must now file and pay its 2018 insurance corporations tax electronically, using the province's online tax system, TAXcess; a 2018 return is due on March 20, 2019. There was no rate change, but the previous requirement to pay quarterly instalments was eliminated.

ONTARIO (TABLE 19)**Tax Highlights**

- Small business rate reduced by 1 percentage point
- Surtaxes on personal income tax not eliminated
- Personal income tax rates and brackets not changed

Tax Changes**1. Corporate Income Tax**

The Ontario research and development tax credit (ORDTC) was enhanced by the previous government to support large businesses making significant investments in R & D. The ORDTC was a 3.5 percent non-refundable tax credit on eligible R & D tax expenditures. Effective for eligible expenditures incurred after March 27, 2018, qualifying companies were to be eligible for a 5.5 percent rate (prorated for straddle taxation years) on expenditures in excess of \$1 million in a taxation year (prorated for short taxation years). The enhanced rate was available only if the eligible expenditures were at least 90 percent of such expenditures in the previous year, grossed up for a short taxation year and consolidated for amalgamations or wind-ups. The newly elected government said that it would not proceed with these enhancements.

The Ontario innovation tax credit (OITC) was increased by the previous government for expenditures incurred after March 27, 2018 from 8 percent to 12 percent (prorated for straddle years) to encourage small and medium-sized businesses to engage in R & D. If a qualifying corporation had a ratio of R & D expenditures to gross revenues that was (1) at most 10 percent, the company was eligible for the regular 8 percent OITC; (2) between 10 percent and 20 percent, the enhanced rate (12 percent) applied on a straightline basis; and (3) at least 20 percent, the enhanced 12 percent rate applied. Both gross revenues and R & D expenditures were those attributable to Ontario operations and were aggregated for associated corporations. The newly elected government said that it would not proceed with this or (as noted) the preceding initiative, but will “ensure that support provided for research and development is effective and efficient.”¹⁷

The 2018 budget extended eligibility (via regulatory amendment) for the Ontario interactive digital media tax credit to film and television websites purchased or licensed by a broadcaster and embedded in its website, applicable to websites that hosted content related to film, television, or Internet productions that did not receive either a certificate of eligibility or a letter of ineligibility before November 1, 2017. (Unless otherwise noted, this and other items in the Ontario corporate tax section were not mentioned in the 2018 Fall Economic Outlook and Fiscal Review of the

17 Ontario, Ministry of Finance, *A Plan for the People—2018 Ontario Economic Outlook and Fiscal Review*, Background Papers, Annex: Details of Tax Measures, Research and Development Tax Credits, at 155.

TABLE 19 Projected Revenues and Expenditures, Ontario, Fiscal Year 2018-19

	March 2018	November 2018
	<i>millions of dollars</i>	
Total revenues	152,461	148,231
Total expenditures	(158,465)	(161,775)
Reserve	(700)	(1,000)
Surplus/(deficit)	<u>(6,704)</u>	<u>(14,544)</u>
Revenue sources		
Personal income tax	35,612	34,946
Corporate income tax	15,137	13,766
Sales tax	26,608	26,727
Other taxes	<u>26,024</u>	<u>25,462</u>
Total tax revenue	103,381	100,901
Federal transfers	26,606	26,006
Other revenues	<u>22,474</u>	<u>21,324</u>
Total revenues	<u>152,461</u>	<u>148,231</u>
Expenditures		
Education	28,214	30,737
Health	61,278	61,678
Debt servicing	12,543	12,543
Other expenditures	<u>56,430</u>	<u>56,817</u>
Total expenditures	<u>158,465</u>	<u>161,775</u>

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

Sources: Ontario, Ministry of Finance, 2018 Budget, March 28, 2018, and 2018 Fall Economic Outlook and Fiscal Review, November 15, 2018.

newly elected government.) The previous government became aware that business models in the film and television industries often required that a website purchased and licensed by a broadcaster be integrated within the broadcaster's website for a seamless user experience.

In the 2017 fall economic outlook, the previous Ontario government proposed to lower the Ontario corporate income tax rate on small businesses from 4.5 percent to 3.5 percent. This item was not specifically mentioned in the 2018 fall economic outlook.

The 2017 fall economic outlook also proposed that the M & P tax credit would reduce the corporate income tax rate to 10 percent.

The previous government proposed to parallel the federal 2018 budget limit on the small business deduction for passive investment income between \$50,000 and \$150,000 earned in the taxation year: effective for taxation years beginning after 2018, the federal small business limit is phased out straightline for a CCPC and associated corporations that earn passive investment income within the specified range. (This limit was in addition to the province's phaseout of its small business

deduction if the CCPC or associated corporations had between \$10 million and \$15 million in taxable capital employed in Canada; the effective limit was the lesser of the limit on taxable capital and the business limit on the basis of passive investment income.) The phasing out of the small business limit was another item that the newly elected government said that it would not proceed with; proposed legislation ensured that Ontario did not parallel the federal change.

The 2018 budget indicated that the province was reviewing different countries' initiatives—patent boxes, tax refunds, deductions, and exemptions—in order to keep ownership in the province of R & D performed in Ontario. The previous government promised to develop an incentive that works best for Ontario. The newly elected government made no specific mention of these initiatives in its 2018 fall economic outlook.

The 2018 Ontario budget promised to parallel 2018 federal budget measures that address sophisticated financial instruments and structured share repurchase transactions of some Canadian financial institutions that realized artificial tax losses.¹⁸ Ontario's newly elected government did not specifically mention these initiatives in the 2018 fall economic outlook.

The EHT (employer health tax) exemption will increase in 2019 from \$450 to \$490 on the basis of Ontario's consumer price index. The exemption increase will reduce the EHT, on average, by about \$690 in 2019 for some 58,000 employers. The 2018 budget proposals to target the EHT exemption and the incorporation of the federal anti-avoidance rules—which would have slightly increased the EHT for 20,000 Ontarians—will not be proceeded with, according to the 2018 fall economic outlook.

The newly elected government promised in the 2018 fall economic outlook to follow any federal initiative that expensed new depreciable assets—in response to the current US tax reform.¹⁹

2. Personal Income Tax

The 2018 budget proposed, for the 2018 taxation year, to eliminate the personal surtaxes (20 percent and 36 percent) and to amend the personal income tax brackets and rates. The newly elected government said that it would not be proceeding with this proposal. The former government said that the proposed changes were intended to simplify the personal income tax calculation, and the elimination of the surtaxes would ensure that non-refundable tax credits provided the same maximum relief to all taxpayers. The newly elected government agreed that these proposals, now cancelled, would have meant a personal income tax increase of about \$200 on average for approximately 1.8 million people.

18 For the federal definitions of synthetic equity and securities lending arrangements, and the stop-loss rule applicable to share repurchases, see Kevin Kelly and Sona Dhawan, "Share Repurchase Programs" (2018) 26:6 *Canadian Tax Highlights* 9-10.

19 Tax Cuts and Jobs Act, Pub. L. no. 115-97, signed into law December 22, 2017.

The 2018 budget proposed to enhance support for charitable giving by increasing the tax credit rate on donations exceeding \$200 to 17.5 percent. The newly elected government did not include a specific reference to this proposal in the 2018 fall economic outlook.

The 2018 Ontario budget promised to parallel a 2018 federal budget measure that limited income sprinkling through the use of private corporations, effective for 2018 and subsequent years. (Income sprinkling—also referred to as “income splitting”—involved diverting income from a high-income individual to a minor or other family member so that the income would be taxed at a lower combined federal and provincial rate.) Thus, Ontario personal income tax at the top marginal rate would apply to the split income of an adult family member who was not active in the business. The only specific mention of this initiative in the 2018 fall economic outlook was a reference to a federal change that allows payers of the tax on split income to apply the disability credit against that tax; Ontario will parallel that change.

The 2018 fall economic outlook suggested that, starting in 2019, the government would introduce a new non-refundable tax credit for low-income individuals and families (the “LIFT credit”) to eliminate or reduce the provincial income tax for low-income taxpayers with employment income (who had not been in prison for more than six months in the year). The maximum credit is the lesser of \$850 and 5.05 percent of employment income, reduced by 10 percent of the greater of adjusted individual net income over \$30,000 (up to \$38,500) and adjusted family net income over \$60,000 (up to \$68,500), including a spouse’s or common-law partner’s income at year-end. The credit is limited to the Ontario personal income tax payable, excluding the Ontario health premium. The taxpayer must be a Canadian resident at the beginning of the year and an Ontario resident at year-end. Critics say that more assistance to low-income workers would be offered by reinstating the previous government’s increased minimum wage of \$15 an hour in 2019.

The newly elected government’s 2018 fall economic outlook promised to adjust the non-eligible dividend tax credit calculation to maintain the applicable rate at 3.2863 percent.

The newly elected government’s 2018 fall economic outlook promised to parallel a federal change that modified the pension income tax credit to take into account additional federal veteran’s benefits.

3. Sales Tax

Ontario HST would apply to First Nations members who purchased cannabis off-reserve, consistent with a status Indian’s current off-reserve purchases of alcohol and tobacco. However, it was proposed that a status Indian who was registered to obtain medical cannabis from a licensed producer should be eligible for the point-of-sale rebate of the 8 percent provincial portion of the HST for purchases delivered off-reserve.

The newly elected government’s 2018 fall economic outlook promised to remove a reference to the Canadian Red Book and the Canadian Older Car/Truck Red Book in regulation 1012 under the Retail Sales Tax Act.

The 2018 fall economic outlook also promised to remove a spent provision that provided one-time support to a business during the transition to HST in 2010. In addition, certain amendments to regulations were promised that would replace outdated references to the GST and change references to PST to refer instead to HST.

4. Sin Taxes

The previous government promised to amend the small beer manufacturer's tax credit and the definition of a microbrewer in the Alcohol and Gaming Regulation and Public Protection Act, 1996, to encourage growth of small beer manufacturers and microbrewers. Both amendments were to be effective from March 1, 2018. This initiative was not specifically mentioned in the 2018 fall economic outlook.

On October 18, 2018, the newly elected government proposed not to move forward with the basic tax rate increase on beer that was scheduled by the previous government for November 1, 2018. Subject to legislative approval, from November 1, 2018, the basic beer tax rate would remain at rates that were set to apply from March 1, 2018 to February 28, 2019. Earlier in the year, the newly elected government reduced the minimum beer price to \$1 per bottle plus deposit. The government also promised a review that might result in beer and wine being available for sale in corner, grocery, and big-box stores. Increased hours (9 a.m. to 11 p.m., seven days a week) for the Beer Store, Liquor Control Board of Ontario stores, and authorized grocery stores were said to improve choice for consumers.

To provide regulated and restricted access to cannabis, the federal government's 2018 budget proposed a new federal excise duty at a flat rate (imposed at the time of packaging) of \$1 per gram or \$1 per seedling. A lower rate was imposed for trim versus flower. At the time of delivery to a purchaser, a 10 percent ad valorem rate applied: the licensee was liable to pay the duty at the higher of the flat rate and the ad valorem rate. The federal government agreed with most provinces and territories—and Ontario intended to enter into such an agreement—to pay to a participating jurisdiction 75 percent of the duty raised (and any excess over \$100 million otherwise earned in duty by the federal government) for the first two years after legalization. This sharing with Ontario applied to sales intended for Ontario. The newly elected government reduced the estimate of the provincial share of federal excise duty revenue by \$18 million, partially offset by a reduction in net costs (primarily from retail storefronts' construction by the Ontario Cannabis Store) of \$15 million, for a net reduction of \$3 million in revenues from cannabis. The gaming commission will enforce the provincial rules, including the minimum age of over 18. Proximity to children's playgrounds, hospitals, and child-care facilities is also restricted. Permitting the sale of cannabis through private retail stores means that the government will avoid the capital expenditure of a bricks-and-mortar province-run store.

As indicated in the 2017 budget and confirmed in the 2018 budget, effective at 12:01 a.m. on March 29, 2018, the tobacco tax rate increased from 16.475 cents to 18.475 cents per cigarette (equal to an increase of \$4 per carton) and per gram for

tobacco products other than cigars. Tobacco tax on a pack of 20 cigarettes equalled \$3.70; on a pack of 25 cigarettes, \$4.62; and on a carton of 200 cigarettes, \$36.95. The rate of tobacco tax on the taxable price of cigars remained at 56.6 percent. A further increase of \$4 per carton of cigarettes was planned for 2019, but the new government said in its 2018 fall economic outlook that it would not move forward with this initiative.

The previous government amended the Tobacco Tax Act in May 2017 to require that, effective for 2018, restrictions existed on the import, possession, sale, and delivery of cigarette filter components to registered tobacco manufacturers, subject to certain exemptions (for example, for transporters of such components). Penalties and offence provisions applied, and authorities were permitted to seize and cause forfeiture. This initiative was not specifically mentioned in the 2018 fall economic outlook, but Ontario issued a release thereon, which is available on the government's website.²⁰

5. Resource-Related Matters

The previous government proposed to no longer require First Nation individuals and band councils to apply for and use a certificate of exemption (an Ontario gas card) issued by the Ministry of Finance as proof of entitlement when purchasing gasoline on-reserve, effective in 2019. The regulatory proposal substitutes for the Ontario gas card a certificate of Indian status or a secure certificate of Indian status card from individuals; band councils would use an identifier issued by the government. This initiative was not specifically mentioned in the 2018 fall economic outlook.

Owing to late tax-rate changes, the previous Ontario government said that Florida may require an additional tax payment under the international fuel tax agreement for activity during the first quarter of 2018. This matter was not specifically raised in the 2018 fall economic outlook.

The 2017 Ontario fall economic outlook proposed changes to the Mining Tax Act that expedited a functional-currency election, effective on the day (December 14, 2017) that the omnibus act received royal assent. The 2018 fall economic outlook did not specifically mention this initiative.

Relief from taxes under the Electricity Act, due to expire at the end of 2018, is extended by the 2018 fall economic outlook until the end of 2022. Relief applies to the transfer tax (reduced from 33 percent to 22 percent under the proposal's time extension, and to 0 percent for transfers by municipal electrical utilities with fewer than 30,000 customers) and certain payments in lieu of taxes (PILs) payable on the transfer of electricity assets to the private sector. Capital gains from PILs deemed dispositions are also PILs-exempt.

20 Ontario, Ministry of Finance, "Oversight of Cigarette Filter Components," tobacco tax (www.fin.gov.on.ca/en/tax/tt/cigarettefilter.html).

6. Real Estate Taxes

The 2018 budget announced that it proposed to pass a regulation to allow land transfer tax for certain unregistered dispositions of beneficial interests in land through certain types of partnerships and trusts, to be payable within 30 days from the end of the calendar quarter of the disposition, rather than within 30 days of the disposition. The change was intended to reduce the administrative burden of reporting and payment. The 2018 fall economic outlook did not specifically mention this initiative.

The previous government planned to post on its website guidance regarding minimum information and documentation that a partnership or the authorized representative of a trust should provide when submitting a consolidated quarterly filing for the land transfer tax. The 2018 fall economic outlook did not specifically refer to this initiative.

The previous government announced that the province continued to review issues raised in earlier consultations regarding the land transfer tax. The 2018 fall economic outlook did not specifically refer to this initiative.

As part of a commitment announced in the 2017 budget, the 2018 budget made further rate adjustments to modernize the property taxation of railway rights-of-way. Ontario reduced further rate inequities by increasing the lowest property tax rates on mainline railway rights-of-way to a minimum of \$110 per acre in 2018. (The lowest mainline rate in 2016 was about \$35 per acre.) The newly elected government did not specifically refer to this initiative in the 2018 fall economic outlook.

In recognition of challenges faced by the shortline sector of the railway industry, the 2018 budget promised to continue to freeze shortline railway property tax rates at 2016 levels. The 2018 fall economic outlook did not specifically refer to this initiative.

In response to municipal concerns regarding the property tax revenue received in respect of high-tonnage rail lines, the 2018 budget announced that, beginning in 2018, municipalities would have the option to increase rates per acre of high-tonnage rail lines in accordance with a new adjusted tax rate schedule. Details were promised to be provided in the spring of 2018. The 2018 fall economic outlook did not specifically refer to this initiative.

The 2018 budget amended the Assessment Act to exempt non-profit child-care facilities that leased space in otherwise tax-exempt properties. This is consistent with the Municipal Property Assessment Corporation's (MPAC's) historical treatment of these facilities. The 2018 fall economic outlook did not specifically refer to this initiative.

The 2018 budget committed to granting the city of Toronto the right to provide a property tax reduction of up to 50 percent to qualifying facilities that offer affordable spaces for the arts and culture sector. The 2018 fall economic outlook did not specifically refer to this initiative.

Businesses on land owned by Victoria University in Toronto benefited from a property tax exemption, unlike other businesses and provincial universities. The

2018 budget committed to legislative amendments to ensure that only lands owned and occupied by the university were exempt. Any property tax increases to tenants would be phased in over several years. The 2018 fall economic outlook did not specifically refer to this initiative.

The 2018 budget promised to review—including consultation with affected municipalities and airport authorities—payments in lieu of property taxes based on airport annual passenger rates (previously calculated in 2001 when the payments in lieu of property taxes were introduced). The 2018 fall economic outlook did not specifically refer to this initiative.

As a result of a review promised in the 2017 budget (of the municipal portion of the education property tax's vacancy rebate and reduction programs), the 2018 budget promised to align the education property tax with recent changes to municipal vacancy programs—related to the 2016 budget—to ensure greater provincial consistency. The changes were to take effect in 2019, to ensure adequate business planning. The 2018 fall economic outlook did not specifically refer to this initiative.

According to the 2018 budget, an adjustment to the education property tax rate calculation from the 2016 budget would be maintained in 2018. Ontario would also continue to monitor this tax, including the ability to verify accurate remittance. The 2018 fall economic outlook did not specifically refer to this initiative.

For the 2016 assessment update, Ontario had introduced an advance disclosure process that allowed businesses to contribute to determining the finalization of assessed values. To strengthen this process, the 2018 budget proposed that for the 2021 taxation year, the valuation date would be January 1, 2019, to encourage a more open exchange of information. The 2018 fall economic outlook did not specifically refer to this initiative.

Ontario also started to review requests for information by property owners. In addition, to ensure that compliant parties were not disadvantaged during valuation or on appeal, the previous government promised to review the format of MPAC's requests and to make amendments in the fall of 2018 to address non-compliance. The 2018 fall economic outlook did not specifically refer to this initiative.

Effective December 16, 2017, Teraview, Ontario's land registration system, was updated to include new land transfer tax statements on the application of the non-resident speculation tax (NRST). These new statements replaced the three statement options available when NRST was introduced. NRST could not be paid at the time of electronic registration until December 30, 2017. Transfers subject to NRST and registered before December 30, 2017 required prepayment to the Ministry of Finance of both NRST and land transfer tax. If documents were required to be registered at the Land Registry Office before or after December 29, 2017, NRST payable must be prepaid (along with land transfer tax) to the Ministry of Finance. The land transfer tax affidavit was amended to incorporate required NRST statements. The 2018 fall economic outlook did not specifically refer to this initiative.

Provincial land tax is property tax paid in unincorporated areas of northern Ontario outside municipal boundaries. A review of the tax was announced in 2013, and

the final phase of reform was announced in 2017, including confirmation that the tax rate would be \$250 per \$100,000 of assessed value. This initiative was not specifically referred to in the 2018 fall economic outlook. Annual rate changes, starting in 2018, are shown in table 20.

The 2018 fall economic outlook proposed to amend the Assessment Act to create an Ontario property tax exemption for properties occupied by branches of the Royal Canadian Legion.

7. Pensions

See the discussion under “Other” below.

8. Other

Ontario promised to follow federal anti-avoidance rules relating to the small business deduction for the EHT exemption; starting in 2019—subject to seeking public comment on these changes—the exemption will be available only for an individual, a charity, a not-for-profit organization, a private trust, a partnership, or a CCPC, and the province will incorporate federal anti-avoidance rules precluding the multiplication of the small business deduction and set a rate for associated employers consistent with the exemption. The newly elected Ontario government seems to have reversed the province’s position on exploring measures that target the EHT exemption.

Ontario announced that it continued to work closely with the federal, provincial, and territorial governments and the CRA to combat aggressive tax-planning schemes eroding the common tax base. The 2017 budget created a group of expert tax advisers for this purpose.

In furtherance of its efforts to combat the underground economy, Ontario promised several measures. Regarding electronic sales suppression, Ontario promised to address the practice and also mandate that prescribed businesses update their electronic cash register systems to meet legal requirements that stop businesses from manipulating sales transaction information. Continued consultation was promised for the coming months in order to ensure, *inter alia*, a reasonable transition period; the province also promised to consider financial and other support. Both initiatives were part of a provincial commitment to make the transition as easy as possible. The newly elected government’s website contains information on the issue, but the legislation enacted by the previous government—The Revenue Integrity Act—will not come into force until a date is proclaimed.

To address unregulated tobacco, the 2018 budget committed to a balanced approach of enforcement and partnerships. In addition to work done imposing penalties and seizing tobacco products, Ontario would penalize and thus prevent the diversion of raw-leaf tobacco; implement “track and trace” technology to monitor the movement and location of raw-leaf tobacco; support the Ontario Provincial Police (OPP) in expanding the contraband tobacco enforcement team; expand police services to fund and thus support tobacco investigations; and make legislative

TABLE 20 Changes to Provincial Land Tax Rates (per Assessed Value of \$100,000), 2018-2021

Residential property class	2018	2019	2020	2021
		<i>dollars</i>		
Inside school board	5	5	5	3
Outside school board	40	40	40	15

Source: Ontario, Ministry of Finance, 2015 Budget, Budget Papers, April 23, 2015, at 338.

amendments that would allow a court to authorize tracking devices in an investigation, in order to improve the tracking and monitoring of unregulated tobacco. The 2018 fall economic outlook did not specifically refer to these initiatives.

To improve administrative effectiveness or enforcement, to maintain collections, and to enhance legislative clarity and flexibility to preserve policy intent, the 2018 budget proposed to amend various acts, including the Municipal Tax Assistance Act and various statutes administered by Ontario Finance. Additional proposed legislative initiatives included amendments to the Pooled Registered Pensions Plans Act, 2015, to incorporate the federal process for entering into or amending an existing agreement in the federal act, and amendments to the Climate Change Mitigation and Low-carbon Economy Act, 2016, for the reimbursement of expenditures by the Crown for funding initiatives that are reasonably likely to reduce or support a reduction of greenhouse gas emissions. These items were not specifically mentioned in the 2018 fall economic outlook by the newly elected government.

The newly elected government promised to end the former government's cap-and-trade carbon tax effective July 3, 2018. The 2018 fall economic outlook says that the next stage of the provincial strategy involves achieving transparency for the actual cost of a federal carbon tax in the absence of a provincial carbon tax. A constitutional challenge was later filed by the province.

The newly elected government also took action on so-called hallway health care by reducing pressure on hospitals—for example, by investing more in hospital beds and spaces in hospitals and communities. Increased investment in long-term-care beds will be made over the next five years, along with more investment in the treatment of mental health and addiction issues.

Starting in March 2019, individuals under the age of 25 who are not covered by private plans will have eligible prescriptions covered.

March 27, 2019 will be designated as Special Hockey Day to celebrate the contributions of those involved in this important initiative.

In the 2018 fall economic outlook, the newly elected government also froze driver's licence fees.

The new government announced a provision built into the fiscal plan for tax measures to strengthen Ontario's economy, such as paralleling a potential federal response to the accelerated capital cost allowance for new assets to address US tax reform.

The environmental commissioner, the child and youth advocate, and the French-language services commissioner will become part of the auditor general's office or of the provincial ombudsman's office, according to the 2018 fall economic outlook.

The 2018 fall economic outlook said that the newly elected government plans to reduce electricity bills by 12 percent and will end green energy contracts, close the Thunder Bay generating station, and extend operation of the Pickering nuclear generating station until 2024. The Ontario Energy Board will have its governance modernized to deliver accountability and predictability. The government is planning to publicly review current electricity pricing for industrial users. To encourage and allow more time for consolidation in the electricity distribution sector, the 2018 fall economic outlook extended two time-limited transfer tax incentives and a capital gains exemption under the deemed disposition rules (scheduled to expire at the end of 2018) until the end of calendar 2022. Ontario plans consultations to consider different ways to promote the electricity distribution sector.

Ontario will support its partners who wish to expand oil distribution and also protect their competitiveness from the federal carbon tax.

The Access to Natural Gas Act, 2018, tabled by the newly elected government, proposes a program to provide natural gas to outlying communities that will thereby become more attractive for job creation and new business growth.

The new government promised to expand broadband and cellular projects in rural and northern communities and some urban areas. The 2018 fall economic outlook said that a strategy for achieving these objectives would be released in early 2019.

The minister of agriculture, food, and rural affairs will launch an agricultural advisory group to inform government policies.

The newly elected government plans to dissolve the Ontario College of Trades and create a more modern outcomes-focused system. The new government plans to review support for apprentices and businesses that employ and train them. In addition, the government will review the workers' compensation system to ensure that it remains sustainable. The new government will create efficiencies in the pension sector by supporting mergers and conversions that will reduce costs and increase efficiencies, including some under way in the hospital, municipal, and university sectors. Changes to the Pension Benefits Act also have been proposed that would allow plan administrators to allow electronic beneficiary designations to reduce red tape.

Ontario wishes to support a streamlined capital markets regulatory system and will respect any related Supreme Court of Canada decision. The new Financial Services Regulatory Authority of Ontario (FSRAO) will deter fraud, foster competition and innovation, and streamline the regulatory processes. The new government proposes to amalgamate the FSRAO with the Ontario Deposit Insurance Corporation to simplify the province's regulation.

The new Ontario government is committed to working with willing partners to ensure sustainable northern development and will review the Far North Act, 2010,

to ensure that land-use planning aligns with local, First Nations, and provincial priorities. The government will also continue to explore ways to encourage development of northern natural resources and will establish a special mining working group to focus on speedier regulatory approvals and the attraction of major new investments. Algoma will be supported in its business restructuring; Ontario will continue to dedicate the resources necessary to fight forest fires across the province; and highway 11/17 will be enhanced by two additional lanes in certain stretches. The province will review other initiatives to meet northerners' transportation needs, including rail and bus services.

Ontario will develop a plan to assume responsibility for the Toronto Transit Commission in order to rationalize transportation in the Greater Toronto Area (GTA) and Greater Hamilton Area; a special adviser was appointed in August 2018. A review of high-speed rail's future in Southwestern Ontario is under way. The province will resume the environmental assessment for the GTA west highway corridor, suspended in 2015, to relieve congestion in the GTA. A review of the Metrolinx agency will proceed with the aim of developing an efficient regional transit system.

The newly elected government ended the drive clean program for passenger and light-duty vehicles effective April 1, 2019, owing to enhanced automobile industry standards.

A plan to be launched in the spring of 2019 will aim at increasing housing supply through consultation and over the longer term through actions rolled out over the next 18 months. Reintroduction of a rent control exemption for new rental units first occupied after November 15, 2018 is intended to encourage an increase in housing supply.

Increased fairness in automobile insurance rates, reduction of the regulatory burden in automobile insurance, and increased computerization of the industry will be initiated by the new government. Regulatory oversight will also be ensured for financial planners and advisers to give comfort to consumers.

Public consultation began in September 2018 to reform education, including changes to the severity of responses to cases involving sexually abusive teachers. Math skills are important to success in the labour market; the new government thought that supporting a focus on fundamentals was more important to this end than the current discovery-based learning environment. Free speech on university and college campuses will be supported by the development by schools of a policy backed by an annual report; the government set a deadline of January 1, 2019. Non-compliant schools may be subject to a reduction in operating grant funding.

The newly elected government's 2018 fall economic outlook promised to reform social assistance with a view to improving employment outcomes.

Variable benefit accounts planned by the new government will allow retirees with defined benefit plans to receive income directly from their plans.

Additional funding for digital, investigative, and analytical resources is available for fighting criminals, and a new team led by Crown attorneys will ensure that the best evidence is available to detain individuals charged with serious firearm offences. Nine new OPP detachments will replace aging facilities, and the aging Public

Safety Radio Network—a critical resource for frontline and emergency responders—will be replaced. Adjudicative tribunals accountable to the attorney general will be reviewed for efficiency. A public awareness campaign will provide information on the dangers and identification of illegal tobacco.

Completion of a monument to Canadians who served in Afghanistan, promised by the newly elected government, is expected in the fall of 2019.

Green bonds capitalize on low interest rates and enable Ontario to raise funds, for example, for transit initiatives, extreme-weather resistant infrastructure, and energy conservation and efficiency projects such as health- and education-related projects. The 2018 fall economic outlook said that Ontario planned to issue its next green bond by the end of the 2018-19 fiscal year.

The 2018 fall economic outlook promised to list province-wide consultations for the 2019 budget. Individuals and organizations can also e-mail or mail submissions directly to the Ontario minister of finance.

QUEBEC (TABLE 21)

Tax Highlights

- Small business rates standardized
- Health-care contributions reduced
- Sales tax on digital economy

Tax Changes

1. Corporate Income Tax

The threshold entitlement to reduced health-care contributions increased from \$5 million in 2018 to \$5.5 million in 2019, and will continue to increase in equal annual amounts until the threshold reaches \$7 million in 2022. The threshold will be indexed automatically in 2023 and subsequent years.

A small or medium-sized business (SMB) that was an eligible specified employer whose payroll did not exceed \$1 million and that was in the primary or manufacturing sector or in the service or construction sector, had its rate of health services fund contributions decreased from 1.5 percent to 1.25 percent and from 2.3 percent to 1.65 percent, respectively, on a straightline basis over five years starting on budget day. The contribution rate also decreased if the eligible specified employer in any of those sectors had an annual payroll between \$1 million and \$5 million; the rate was gradually reduced and varied from 1.65 to 4.26 percent, and the payroll limit gradually increased from \$5 million to \$7 million.

The small business income tax rate was gradually reduced for an SMB not in the primary or manufacturing sector and reaches 4 percent in 2021. This change was effective for a taxation year that ended after budget day; the first instalment thereafter can be adjusted. The maximum rate for an SMB in 2021 and subsequent years will be 7.5 percent; the gradually reduced additional deduction for an SMB in the primary or manufacturing sector is then eliminated. Table 22 reflects these changes.

TABLE 21 Projected Revenues and Expenditures, Quebec, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	109,597
Total expenditures	(108,693)
Contingency reserve	nil
Surplus/(deficit)	<u>904</u>
Revenue sources	
Personal income tax	30,549
Corporate income tax	8,028
Sales tax	16,967
Other taxes	<u>11,799</u>
Total tax revenue	67,343
Federal transfers	23,674
Other revenues	<u>18,580</u>
Total revenues	<u>109,597</u>
Expenditures	
Education	23,273
Health	43,013
Debt servicing	9,380
Other expenditures	<u>33,027</u>
Total expenditures	<u>108,693</u>

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, Department of Finance and the Economy, 2018-2019 Budget, March 27, 2018.

A new refundable tax credit for an employee of an SMB was intended to encourage training. After budget day and before 2023, an SMB (a qualified corporation that has a Quebec establishment and carries on business in Quebec) could claim up to 30 percent of eligible training expenditures, to a maximum of \$5,460 per annum, if the SMB's payroll for the taxation year or fiscal period did not exceed \$5 million. For other SMBs, the total 30 percent rate of credit decreased linearly until payroll reached \$7 million. After budget day, on-the-job training credits were enhanced for aboriginal workers, and the maximum weekly qualified expenditure limit and hourly rate increased for all eligible trainees.

An additional capital cost allowance (CCA) of 60 percent replaced the 35 percent additional CCA introduced in the March 2017 Quebec Economic Plan for two years. The new CCA rate is available for two years for new manufacturing or processing equipment and for new general-purpose electronic data-processing equipment, both acquired after March 27, 2018 and before April 2020.

A tax holiday for an investment project carried on after budget day was broadened to extend to the development of an eligible digital platform. An eligible digital

TABLE 22 Minimum Tax Rate Applicable to Income Eligible for the Small Business Deduction (SBD)

	Applicable rate				2021 and subsequent years
	January 1, 2018 to budget day	Post-budget day to December 31, 2018	2019	2020	
			<i>percent</i>		
General tax rate	11.7	11.7	11.6	11.5	11.5
Maximum SBD rate ^a	(3.7)	(4.7)	(5.6)	(6.5)	(7.5)
Net SMB rate	8.0	7.0	6.0	5.0	4.0
Additional deduction ^b (primary and manufacturing sectors)	(4.0)	(3.0)	(2.0)	(1.0)	—
Total	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>	<u>4.0</u>

SMB = small and medium-sized businesses.

a Reduced linearly if the corporate employees' remunerated hours are more than 5,000 and less than 5,500, or if the corporate primary and manufacturing activities are between 25 percent and 50 percent.

b Reduced linearly if the proportion of corporate primary and manufacturing activities is between 25 percent and 50 percent.

Source: Quebec, Department of Finance and the Economy, 2018-2019 Budget, Additional Information, March 27, 2018, at A.62, table A.6.

platform meant a computer environment enabling content management or use that served as an intermediary in accessing information, services, or property supplied or edited by the corporation or partnership or by a third party, and that was not a tax-exempt platform.

The refundable tax credit for the production of multimedia events or environments presented outside Quebec was amended to remove the \$350,000 per production limit. An application must be submitted for an advance ruling or a certificate (if no prior advance ruling application had been made) to the Société de développement des entreprises culturelles (SODEC) after budget day.

A temporary refundable tax credit was introduced for expenditures related to the digital transformation of print media activities incurred after budget day and before 2023. A qualification certificate from Investissement Québec was required to the effect that the company produced and disseminated a print or digital information medium containing original written content. The credit was 35 percent of the lesser of eligible digital conversion costs and the annual limit of \$20 million. Tax assistance of up to \$7 million was provided annually.

For the refundable tax credit for film dubbing, the limit of 45 percent of consideration paid for the performance of a dubbing contract was eliminated effective after budget day.

Amendments ensure that a virtual reality documentary may provide fewer than 30 minutes of programming (per episode in the case of a series) for the purposes of the refundable film production services credit. This amendment will apply to qualified productions for which a certificate application was filed with SODEC after budget day.

2. Personal Income Tax

Pursuant to the November 21, 2017 Economic Plan Update, the tax rate for the lowest tax bracket was reduced retroactive for all of 2017 from 16 percent to 15 percent.

A new first-time home buyer's non-refundable tax credit for a qualifying housing unit acquired after 2017 was available in 2018 to a non-trust individual Quebec resident in an amount not exceeding 15 percent (the current first taxable income bracket) of a \$5,000 acquisition cost. The unused portion of this maximum credit of \$750 is not transferable to a spouse. The individual (or spouse), or a specified disabled person in need of a more accessible home, must have intended to occupy the home no more than one year after the purchase, and the individual or spouse cannot have owned a housing unit that was occupied by the individual in the fourth preceding calendar year before the acquisition.

The RénoVert refundable tax credit was extended for another year to the end of March 2019 (for qualified expenses paid before 2020) for households that have not reached the \$52,500 maximum.

Tax-shield benefits were enhanced; the maximum increase in eligible work income was raised from \$3,000 to \$4,000 (in the previous year) for each household member as of 2018.

The threshold for the tax credit to encourage experienced workers to stay in the labour market was lowered from 62 to 61 years of age. The new category of 61-year-old workers could claim a tax credit on a maximum of \$3,000 of eligible work income in 2018; maximum eligible work income for older workers was increased by \$1,000.

The tax credit for a person living alone was broadened to include an individual who ordinarily resided in a self-contained domestic establishment maintained by the individual for himself or herself and for another person who was under 18 or was an eligible student for whom the individual was the parent, grandparent, or great-grandparent where the individual ordinarily lived in the establishment throughout the year or until death. The individual who maintained such an establishment could claim the tax credit for persons living alone, for 2018 and subsequent years.

The refundable tax credit limit applicable to child-care expenses for a child with a severe and prolonged impairment in mental or physical function and for other children under the age of seven at year-end was \$13,000 and \$9,500, respectively, for 2018. The limit for impaired children allowed for expenses of up to \$50 per day for full-time child care and otherwise up to \$36.50 for children under the age of seven. The two limits mentioned above and the other annual limit of \$5,000 (for all other cases) are automatically indexed as of 2019.

The tax credit of up to \$6,250 for the first major cultural gift (after July 3, 2013) was extended for five years starting in 2018 and ending after 2022.

After March 2018, the Youth Alternative Program was replaced by the Aim for Employment Program, the benefits received from which were taxable.

Informal caregivers of an eligible relative (not lived with or housed, but regularly and continuously helped) were eligible for a supplementary tax credit that consisted of a basic amount of \$652 for 2018 plus, now, a supplement of \$533 (indexed after 2018); that supplementary credit was reduced depending upon the relative's income for that year. The supplement was reduced for 2018 at a rate of 16 percent for each dollar of income in excess of a threshold of \$23,700. The minimum period in the year of assistance must consist of at least 185 out of 365 consecutive days. An eligible relative, *inter alia*, must not live in a dwelling in a private seniors' residence or in a public network facility and must have a severe or prolonged impairment. In a conjugal co-residence, the tax credit was a lump sum of \$1,015 for 2018. Effective March 27, 2018, a nurse practitioner could certify the impairment that is required for this credit, or certify that the relative could not live alone or needed assistance in carrying out a basic activity of daily living.

The refundable tax credit for volunteer respite for informal caregivers was increased, depending on the number of hours of service. The current system of a \$500 credit for 400 hours or more was replaced by a sliding scale: a \$250 credit for 200 to under 300 hours; a \$500 credit for 300 to under 400 hours; and a \$750 credit for 400 hours and more. The annual "envelope" for each care recipient of an informal caregiver was raised from \$1,000 to \$1,500.

The refundable tax credit for the acquisition or rental of property intended to help seniors to live longer independently was increased for 2018 and subsequent years through a reduction from \$500 to \$250 of the threshold for claiming the credit and an extension of the qualified property list; additions will include hearing aids and walkers.

3. Sales Tax

Starting after 2018, the budget implemented mandatory QST registration for a supplier of certain property or services in Quebec who is located in Canada (but outside Quebec) and has no physical or significant presence in Quebec (a non-resident supplier), and does not have taxable supplies in Quebec that exceed \$30,000. The supplier must register with Revenu Québec and collect and remit QST on certain supplies in the province to specified Quebec consumers. A specified Quebec consumer for the purposes of these rules is a person who is not a QST registrant and whose usual place of residence is in Quebec. A non-resident supplier located in Canada must collect and remit QST on taxable corporeal movable property supplied in Quebec. The Quebec government will take into account models from other jurisdictions that have similar systems.

These registration rules govern Quebec presence in regard to the digital economy. Mandatory registration also applies to digital property and services

distribution platforms with respect to certain taxable supplies made that control key elements of transactions with certain Quebec consumers. The non-resident was not considered to be a registrant generally and could not claim input tax refunds; registered recipients could not recover tax paid either. However, a qualifying non-resident could register under the general system instead, and must provide security of a value and in a form acceptable to the minister. A non-resident of Quebec and of Canada must collect and remit QST on certain supplies in Quebec to Quebec consumers, if such platforms control the key elements of transactions such as billing, transaction terms and conditions, and delivery terms. A digital platform means a platform that provides a service to a non-resident supplier by means of e-communication (such as an application store or a website) that enables the non-resident to make certain taxable supplies in Quebec to specified Quebec consumers—and enabling digital platforms—from 2019; a non-resident of Canada must do so after August 2019. The non-resident supplier must exceed \$30,000 for all taxable supplies to persons reasonably considered to be consumers. A platform is not considered to control key elements of a transaction if it only supplies a transport service (as do digital platforms operated by Internet service providers and telecommunications companies), a service providing access to a payment system, or an advertising service that informs customers of various types of movable property or services offered by the non-resident supplier and links customers to the supplier's website.

An existing agreement requires the Canada Border Services Agency to be responsible for the collection (on behalf of the Quebec government) of QST applicable to property imported by a Quebec individual. In the spring of 2018, Quebec started a plan of cooperation with the federal government to improve tax collection at the borders.

4. Sin Taxes

Quebec promised to enter into an agreement with the federal government to receive revenue equal to an additional excise duty on cannabis intended for sale in Quebec.

5. Resource-Related Matters

An allowance for environmental studies was introduced in the Mining Tax Act: deduction of an amount up to an operator's cumulative environmental studies expenses account at year-end for expenses incurred after budget day. Consequential adjustments were made for the fiscal year ending after budget day to the refundable duties credit for losses.

The refundable tax credit for the production of ethanol, cellulosic ethanol, and biodiesel fuel in Quebec was extended for five years until the end of March 2023 to promote their production and consumption in Quebec. After March 2018 and in order to simplify the application of the tax credit and to improve the predictability of the assistance that might be obtained by a qualified corporation, a fixed rate of 3 cents, 16 cents, and 14 cents, respectively, per litre of ethanol, cellulosic ethanol,

and biodiesel fuel was used to calculate the tax credit; the monthly ceiling on the production of each was also then raised to 821,917 litres times the number of days in the particular month.

To modernize and transform the forestry sector and bioenergy, a refundable tax credit was introduced for pyrolysis oil production in Quebec. After March 2018, the refundable tax credit was set for five years and was calculated at the rate of 8 cents per litre up to 100 million litres per year. The credit was granted to a qualified corporation that after March 2018 produced eligible pyrolysis oil in Quebec from residual forest biomass sold in and intended for Quebec.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

Amendments were promised to the legislation constituting the Capital régional et coopératif Desjardins (CRCD) and to related tax legislation to create a new class of shares for the claiming by an individual of a temporary non-refundable tax credit of 10 percent of the value of the shares or fractional shares converted, up to a value of \$15,000 for a maximum credit of \$1,500. Only current shareholders who have held CRCD shares for at least seven years could acquire this new class through exchange or conversion after February 2018; the shares were redeemable after a new, mandatory retention period. The tax credit for all shares in the existing class (acquired after February 2018) was reduced from 40 percent to 35 percent.

The tax credit rate was maintained at 20 percent for an eligible share in Fondation (le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi, a labour-sponsored fund) acquired in the three fiscal years before June 2021. A limit will be imposed on capital raised by Fondation to control the expenditure attributable to this new government support.

The holder of a taxi driver's permit was granted a temporary increase, in 2017 and 2018, in the refundable tax credit available of up to \$500, from a maximum of \$569 and \$574 to \$1,069 and \$1,074, respectively. Some taxpayers are only eligible for one-half of the maximum credit under current rules. A new notice of assessment was sent before June 2018 to all taxpayers for whom Revenu Québec had already determined the 2017 credit.

The refundable tax credit attributing a work premium was enhanced by an increase of 2.6 percentage points over five years (from 2018 to 2022) of the rate for calculating the work premium. Starting in 2018, there was a relaxation of eligibility for the supplement to the work premium.

Annual Quebec Pension Plan (QPP) contributions increased for employers and employees to reflect QPP enhancements phased in from 2019 to 2024.

The dividend tax credit rate for the gross-up amount of eligible dividends received was decreased to reflect provincial and federal changes, from 11.9 percent of the gross-up amount to 11.86 percent if received after the budget day and before 2019. The rate was reduced to 11.78 percent in 2019 and to 11.70 percent after 2019. The rate of dividend tax credit for non-eligible dividends received was similarly reduced from 7.05 percent of the dividend gross-up amount to 6.28 percent for dividends received after budget day and before 2019, to 5.55 percent in 2019, 4.77 percent in 2020, and 4.01 percent in 2021 and subsequent years.

The dual-basis compensation tax for financial institutions was extended for an additional five years in 2017. Rates for the new periods are set out in table 23; the compensation tax rates applicable to amounts paid as wages were adjusted after March 2018. The financial institution (throughout the year) must pay a compensation tax on wages paid after March 2018 at the applicable rate times the lesser of wages paid and the maximum taxable for the year, as shown in table 23.

In April 2017, the National Assembly's Committee on Public Finance tabled a report on recommendations to the government for combatting the erosion of its tax base; the Tax Fairness Action Plan was published in November 2017 as Quebec's response to those recommendations. The plan identified 14 measures to prevent that erosion, divided into five strategic areas including the sales tax measures covered above. Quebec also recommended measures to recover personal and corporate income tax owed to it, strengthen tax and corporate transparency, and block access to government contracts for abusive tax avoiders, including those who use tax havens in abusive tax avoidance. The use of the Registraire des entreprises du Québec will receive a boost to information technology development in order to improve the quality of information on the more than 900,000 companies registered and to enable more efficient use of the register. Quebec will also test the reliability of information in registries of which the province supported harmonization during negotiations of the Canadian free trade agreement.

In 2017, Quebec announced its review of the voluntary disclosures program (VDP) to take into account, among other things, December 2017 federal changes to tighten eligibility for the CRA's VDP. Consultations with Revenu Québec regarding changes to the program were promised to be carried out in 2018-19.

A reward would be offered by Quebec for a tax informant to cover significant personal, social, or professional costs if at least \$100,000 of tax was recoverable. Certain information must be provided by the informant.

Quebec announced that it would amend its legislation to harmonize with the federal proposals on the tax on split income, and legislation proposed by the federal government on lookthrough rules for partnerships and trusts, as well as proposals to improve anti-avoidance rules to prevent the use of financial instruments to gain a tax advantage by creating artificial losses.

Quebec promised funding to support the abuse of employment agencies to inform employees of their rights and responsibilities.

Quebec also promised to subject food trucks and trailers to mandatory billing procedures through a sales recoding module (SRM) to be implemented by the

TABLE 23 Rates of Compensation Tax for Financial Institutions After Adjustments

Amounts paid as wages	April 1, 2018- March 31, 2019	April 1, 2019- March 31, 2020	April 1, 2020- March 31, 2022	April 1, 2022- March 31, 2024
	<i>percent</i>			
Bank, loan or trust corporation, or one trading in securities (up to \$1.1 billion)	4.29	4.22	4.14	2.80
Savings and credit union (up to \$550 million).	3.39	3.30	3.26	2.20
Any other person ^a (up to \$275 million)	1.37	1.34	1.32	0.90
Insurance premiums and amounts in re insurance fund.	0.48	0.48	0.48	0.30

a Excluding an insurance company and a professional order that created an insurance fund under section 86.1 of the Professional Code, RSQ, c. C-26.

Source: Quebec, Department of Finance and the Economy, 2018-2019 Budget, Additional Information, March 27, 2018, at table A.9.

summer of 2019. The measure will be similar to the establishment of SRMs in restaurants and bars.

Quebec's Balanced Budget Act is intended to require the province to maintain a balanced budget and requires the establishment of a stabilization reserve to facilitate multi-year budget planning and also to allow sums to be deposited in the Generations Fund. Reporting obligations are required that depend on the size and cause of a deficit. The stabilization reserve is used to balance a projected budget deficit without requiring additional action such as spending reductions or revenue increases. To keep the budget balanced, the government planned to use \$3 billion from the stabilization reserve for fiscal years 2018-19 to 2020-21.

NEW BRUNSWICK (TABLE 24)

Tax Highlights

- Corporate income tax rate did not increase
- Personal income tax rates did not increase
- Small business rate reduced to 3 percent

Tax Changes

1. Corporate Income Tax

The small business income tax rate decreased from 3.5 percent to 3 percent, effective April 1, 2017. The New Brunswick government committed to a reduction of that rate to 2.5 percent during its mandate, by the end of 2018.

**TABLE 24 Projected Revenues and Expenditures, New Brunswick,
Fiscal Year 2018-19**

	<i>millions of dollars</i>
Total revenues	9,427
Total expenditures	(9,616)
Contingency reserve	<u>nil</u>
Surplus/(deficit)	<u>(189)</u>
Revenue sources	
Personal income tax	1,682
Corporate income tax	312
Sales tax	1,493
Other taxes	<u>1,050</u>
Total tax revenue	4,537
Federal transfers	3,225
Other revenues	<u>1,665</u>
Total revenues	<u>9,427</u>
Expenditures	
Education	1,305
Health	2,770
Debt servicing	675
Other expenditures	<u>4,866</u>
Total expenditures	<u>9,616</u>

Notes: Figures were shown on a main estimates basis. About \$266 million of federal transfers 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. The contingency reserve was eliminated in this budget. Nursing home consolidation was reflected in the revenues and expenditures.

Source: New Brunswick, Department of Finance, 2018-2019 Budget, January 30, 2018.

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 strategic program review process was completed, as announced in 2016. The review process identified measures to reduce the accumulating debt and put the province on track to balance the budget in 2020-21. The initiatives identified continue to be implemented; consequently, the government did not introduce new revenue measures or expenditure restraint in the 2018 budget.

New Brunswick was consulting to develop its own carbon-pricing policy to address federal government requirements.

Pre-budget consultations were held with provincial residents.

NOVA SCOTIA (TABLE 25)

Tax Highlights

- No corporate tax rate changes
- Some personal income tax credits increased for a taxpayer earning less than \$75,000

Tax Changes

1. Corporate Income Tax

No changes were announced.

2. Personal Income Tax

Effective for 2018 and subsequent years, some personal income tax credits—a basic personal amount, a spousal amount, an amount for an eligible dependant, and an age amount—increased for an individual whose taxable income was under \$25,000; the increase phases out straightline until taxable income reaches \$75,000, when it is eliminated. The first three amounts increased from \$8,481 to \$11,481 and the age amount for low-income seniors increased from \$4,141 to \$5,606.

The 2018 budget removed the upper limit on eligible medical expenses for the tax credit for a financially dependent relative; the cap used to be set at \$10,000.

To provide greater access to the caregiver benefit program, the government expanded eligibility criteria, such as moderate to significant memory loss, a high risk of falls, and a high level of physical impairment. Another eligibility expansion was promised for the spring of 2019.

Effective after 2018, a new innovation equity tax credit was introduced. The budget did not contain details but promised a more narrowly focused credit that had a threshold consistent with other provinces' programs. The existing credit was to be phased out over time.

Enhancements were made to income assistance: exclusion of child support payments in calculating eligibility and an increase in the tax-free poverty reduction

TABLE 25 Projected Revenues and Expenditures, Nova Scotia, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	10,810
Total expenditures	(10,863)
Reserve and consolidating adjustments	82
Contribution to fiscal capacity for Provincial Health Complex.	nil
Surplus/(deficit).	<u>29</u>
Revenue sources	
Personal income tax	2,816
Corporate income tax	531
Sales tax	1,858
Other taxes.	<u>662</u>
Total tax revenue	5,867
Federal transfers	3,574
Other revenues.	<u>1,369</u>
Total revenues	<u>10,810</u>
Expenditures	
Education	1,398
Health	4,367
Debt servicing	894
Other expenditures	<u>4,204</u>
Total expenditures	<u>10,863</u>

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

Source: Nova Scotia, Department of Finance and Treasury Board, 2018-2019 Budget, March 20, 2018.

credit from \$250 to \$500 per year (for clients without children and annual income of no more than \$12,000).

3. Sales Tax

No changes were announced.

4. Sin Taxes

The province agreed in principle to the taxation of cannabis with the federal government collecting federal and provincial duties.

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 (TABLE 26)**Tax Highlights**

- Some personal tax credits increased
- Small business tax rate reduced to 4 percent

Tax Changes**1. Corporate Income Tax**

The small business tax rate was reduced to 4 percent, representing the first decrease in a “multi-year commitment.” The rate seemed to apply for the entire calendar year.

A new small business investment grant gave a company and an individual a 15 percent rebate on business investments of up to \$25,000 for expenses incurred after April 5, 2018.

2. Personal Income Tax

The basic personal amount and spouse and spousal equivalent amounts were increased by \$500 in 2018 and \$500 in 2019.

The 2018 budget introduced a program, Island Advantage, to support post-secondary students. Debt reduction was increased for a grant available to students living in the province three years after graduation, from \$2,000 to \$3,500 per annum of study.

3. Sales Tax

The provincial portion of HST was to be rebated on a residential electricity bill each month. The same tax was rebated on firewood, pellets, and propane through a point-of-sale credit or rebate.

4. Sin Taxes

No changes were announced.

5. Resource-Related Matters

No changes were announced.

6. Real Estate Taxes

No changes were announced.

TABLE 26 Projected Revenues and Expenditures, Prince Edward Island, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	1,985
Total expenditures	(1,984)
Reserve and consolidating adjustments	nil
Surplus/(deficit)	<u>2</u>
Revenue sources	
Personal income tax	390
Corporate income tax	60
Sales tax	298
Other taxes	<u>222</u>
Total tax revenue	970
Federal transfers	770
Other revenues	<u>245</u>
Total revenues	<u>1,985</u>
Expenditures	
Education	273
Health	710
Debt servicing	127
Other expenditures	<u>874</u>
Total expenditures	<u>1,984</u>

Notes: Revenue and expenditure figures were consolidated. Expenditure figures were shown by department. (Column may not add because of rounding.)

Source: Prince Edward Island, Department of Finance, 2018-2019 Budget, April 6, 2018.

7. Pensions

No changes were announced.

8. Other

In the 2017 budget, the provincial government promised to prepare a report on existing income tax credits to determine their cost and effectiveness, but there was no mention of this review in the 2018 budget documents.

A carbon-pricing mechanism was promised to be introduced after the current fiscal year. However, in July 2018, the PEI government confirmed that a climate plan submitted to the federal government by September 1, 2018 will not maintain a carbon tax or a plan for a cap-and-trade system, forcing the federal government to introduce its carbon pricing as of January 2019.

The dividend tax credit will be adjusted to preserve integration.

NEWFOUNDLAND AND LABRADOR (TABLE 27)**Tax Highlights**

- No new or increased taxes or fees
- Book sales tax rebate restored pre-budget
- Payroll tax decreased
- Carbon tax still being finalized

Tax Changes***Corporate Income Tax***

No changes were announced.

Personal Income Tax

The government announced a non-refundable search and rescue volunteer tax credit of up to \$3,000 for first responders, effective in 2019.

A new home purchase program was introduced to provide an individual with a grant of up to \$3,000 to help purchase a newly constructed or never-before-purchased home that costs under \$400,000.

The temporary deficit reduction levy was reduced but in force for 2018, as shown in table 28. The levy will be in place until 2019.

3. Sales Tax

A sales tax exemption—a point-of-sale rebate of the 10 percent provincial HST for printed books—that was removed in the 2016 budget was restored by government announcement for 2018 and following years.

4. Sin Taxes

No changes were announced.

5. Resource-Related Matters

The government announced that it was currently finalizing its provincial approach to the carbon tax, as directed by the federal government. Newfoundland and Labrador promised to phase out the temporary gas tax (introduced in 2016) as the carbon tax becomes effective.

The government promised to invest \$1.7 million in its mineral incentive program.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

TABLE 27 Projected Revenues and Expenditures, Newfoundland and Labrador, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	7,673
Total expenditures	(8,356)
Oil revenue risk adjustment	<u>nil</u>
Surplus/(deficit)	<u>(683)</u>
Revenue sources	
Personal income tax	1,454
Corporate income tax	201
Sales tax	1,169
Other taxes	<u>1,777</u>
Total tax revenue	4,601
Federal transfers	757
Other revenues	<u>2,315</u>
Total revenues	<u>7,673</u>
Expenditures	
Education	838
Health	2,985
Debt servicing	1,428
Other expenditures	<u>3,105</u>
Total expenditures	<u>8,356</u>

Notes: Expenditures were reported by department, except for debt expenses. Health expenditure covers “the health-care sector.” Debt servicing included “debt charges and financial expenses.” Expenditures were a combination of current and capital account expenditures by department in the government reporting entity. Offshore royalties were shown as \$975 million and were included in “other” tax revenue, along with \$80 million from mining tax and royalties. The total revenue figure includes net income of government business enterprises.

Source: Newfoundland and Labrador, Department of Finance, 2018 Budget, March 27, 2018.

8. Other

A comprehensive independent review of the provincial tax system was promised in the 2017 budget. The review was intended to simplify the tax system and reduce costs for the government and taxpayers, and ensure that the tax system was fair and competitive. The review continued; recommendations expected to be submitted by November 2018 will be considered in the 2019 budget.

The 2018 budget announced a gradual decrease in automobile insurance. Beginning after 2018, the tax will be reduced by 2 percent (from 15 percent) and by another 1 percent after each of 2019, 2020, and 2021. The government promised to review the tax and make reductions as the fiscal situation improves.

The payroll tax for employers was reduced, effective after 2018. The threshold—below which no tax is payable—was increased from \$1.2 million to \$1.3 million. Associated corporations must file an allocation agreement regarding the threshold, as must employers in partnerships.

**TABLE 28 Temporary Deficit Reduction Levy Amounts for 2018
(Based on Individual Taxable Income)**

	Individual taxable income	Base	+10%	Temporary deficit reduction levy amount
		<i>dollars</i>		
≤ \$50,000	≤ 50,000	na	na	0
> \$50,000 to ≤ \$51,000	50,250	0	25	25
	50,500	0	50	50
	50,750	0	75	75
> \$51,000 to ≤ \$55,000				100
> \$55,000 to ≤ \$56,000	55,250	100	25	125
	55,500	100	50	150
	55,750	100	75	175
> \$56,000 to ≤ \$60,000				200
> \$60,000 to ≤ \$61,000	60,250	200	25	225
	60,500	200	50	250
	60,750	200	75	275
> \$61,000 to ≤ \$65,000				300
> \$65,000 to ≤ \$66,000	65,250	300	25	325
	65,500	300	50	350
	65,750	300	75	375
> \$66,000 to ≤ \$70,000				400
> \$70,000 to ≤ \$71,000	70,250	400	25	425
	70,500	400	50	450
	70,750	400	75	475
> \$71,000 to ≤ \$75,000				500
> \$75,000 to ≤ \$76,000	75,250	500	25	525
	75,500	500	50	550
	75,750	500	75	575
> \$76,000 to ≤ \$80,000				600
> \$80,000 to ≤ \$81,000	80,250	600	25	625
	80,500	600	50	650
	80,750	600	75	675
> \$81,000 to ≤ \$100,000				700
> \$100,000 to ≤ \$101,000	100,250	700	25	725
	100,500	700	50	750
	100,750	700	75	775
> \$101,000 to ≤ \$125,000				800
> \$125,000 to ≤ \$126,000	125,250	800	25	825
	125,500	800	50	850
	125,750	800	75	875

(Table 28 is concluded on the next page.)

TABLE 28 Concluded

	Individual taxable income	Base	+10%	Temporary deficit reduction levy amount
		<i>dollars</i>		
> \$126,000 to ≤ \$175,000				900
> \$175,000 to ≤ \$176,000	175,250	900	25	925
	175,500	900	50	950
	175,750	900	75	975
> \$176,000 to ≤ \$250,000				1,000
> \$250,000 to ≤ \$251,000	250,250	1,000	25	1,025
	250,500	1,000	50	1,050
	250,750	1,000	75	1,075
> \$251,000 to ≤ \$300,000				1,100
> \$300,000 to ≤ \$301,000	300,250	1,100	25	1,125
	300,500	1,100	50	1,150
	300,750	1,100	75	1,175
> \$301,000 to ≤ \$350,000				1,200
> \$350,000 to ≤ \$351,000	350,250	1,200	25	1,225
	350,500	1,200	50	1,250
	350,750	1,200	75	1,275
> \$351,000 to ≤ \$400,000				1,300
> \$400,000 to ≤ \$401,000	400,250	1,300	25	1,325
	400,500	1,300	50	1,350
	400,750	1,300	75	1,375
> \$401,000 to ≤ \$450,000				1,400
> \$450,000 to ≤ \$451,000	450,250	1,400	25	1,425
	450,500	1,400	50	1,450
	450,750	1,400	75	1,475
> \$451,000 to ≤ \$500,000				1,500
> \$500,000 to ≤ \$501,000	500,250	1,500	25	1,525
	500,500	1,500	50	1,550
	500,750	1,500	75	1,575
> \$501,000 to ≤ \$550,000				1,600
> \$550,000 to ≤ \$551,000	550,250	1,600	25	1,625
	550,500	1,600	50	1,650
	550,750	1,600	75	1,675
> \$551,000 to ≤ \$600,000				1,700
> \$600,000 to ≤ \$601,000	600,250	1,700	25	1,725
	600,500	1,700	50	1,750
	600,750	1,700	75	1,775
> \$601,000				1,800

YUKON (TABLE 29)**Tax Highlights**

- Corporate and small business income tax rates not increased
- Tobacco tax increased

Tax Changes**1. Corporate Income Tax**

The small business rate was reduced to 2 percent effective July 1, 2017. The government promised to examine the implications of this change before reducing the future rate to 0 percent as previously promised.

2. Personal Income Tax

No changes were announced.

3. Sales Tax

No changes were announced.

4. Sin Taxes

Tobacco taxes increased from \$0.25 to \$0.30 per cigarette and per gram of loose tobacco for April 1, 2018. As announced in the 2017 budget, effective January 1, 2019, the tobacco tax rate is to be indexed to inflation.

Yukon will keep Yukoners informed as the implementation of the cannabis plan evolves; an informal agreement with the federal government was reached.

5. Resource-Related Matters

No changes were announced.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

Upgrading the ability of the Department of Finance to gather and analyze information was intended to modernize budgeting and reporting systems and create a more evidence-based budgeting approach. A Financial Advisory Panel report was announced to examine the territory's finances and consult with the public about budgetary planning with a goal of reducing or eliminating projected deficits. Yukon will proceed with three of the panel's recommendations including a review of health and social services, but will not proceed with a recommendation to proceed with an HST.

TABLE 29 Projected Revenues and Expenditures, Yukon, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	1,333
Total expenditures	(1,338)
Reserve	nil
Surplus/(deficit)	<u>(5)</u>
Revenue sources	
Personal income tax	74
Corporate income tax	12
Sales tax	na
Other taxes	<u>32</u>
Total tax revenue	118
Federal transfers	1,005
Other revenues	<u>210</u>
Total revenues	<u>1,333</u>
Expenditures	
Education	193
Health	431
Debt servicing	16
Other expenditures	<u>698</u>
Total expenditures	<u>1,338</u>

Notes: Expenditure figures for education and health were shown in consolidated and non-consolidated budgets by department. The health figure includes an amount for social services. Non-consolidated reporting was used to reflect the announced surplus/(deficit) figure; the consolidated surplus was reported as \$11 million. Consolidated reporting includes territorial corporations. The debt-servicing figure shown represents expenditures on loan programs. Debt servicing is prorated.

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, 2018-2019 Budget, March 1, 2018.

NORTHWEST TERRITORIES (TABLE 30)**Tax Highlights**

- No new taxes or income tax increases

Tax Changes**1. Corporate Income Tax**

No changes were announced.

2. Personal Income Tax

No changes were announced.

3. Sales Tax

No changes were announced.

4. Sin Taxes

The territory promised to work with stakeholders on a proposed approach to sugary drinks.

The informal agreement with the federal government on the legalization of cannabis and its sale was announced. The 2018 budget did not include revenue for the related tax because legalization had not yet occurred and there would be offsetting costs.

5. Resource-Related Matters

The carbon tax becomes effective on July 1, 2019. Territorial rates will increase gradually and annually from \$20 per tonne of greenhouse gas emissions to \$50 per tonne.

6. Real Estate Taxes

Property and education mill rates were adjusted for inflation effective April 1, 2018.

Proposals were promised to be developed in 2018-19 for a land transfer tax similar to that in other jurisdictions. A lower rate would apply to lower-value property.

7. Pensions

No changes were announced.

8. Other

No changes were announced.

**TABLE 30 Projected Revenues and Expenditures, Northwest Territories,
Fiscal Year 2017-18**

	<i>millions of dollars</i>
Total revenues	1,749
Total expenditures	(1,713)
Infrastructure contribution, deferred maintenance, fund profit/loss	<u>(13)</u>
Surplus/(deficit)	<u>23</u>
Revenue sources	
Personal income tax	103
Corporate income tax	31
Sales tax	na
Other taxes	<u>117</u>
Total tax revenue	251
Federal transfers	1,404
Other revenues	<u>94</u>
Total revenues	<u>1,749</u>
Expenditures	
Education	327
Health	462
Debt servicing	23
Other expenditures	<u>901</u>
Total expenditures	<u>1,713</u>

Notes: Figures showed health and education expenditure by department; the education figure was a composite for the Department of Education, Culture, and Employment, and the health figure included social services. The 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. The Northwest Territories started to receive resource revenues under devolution in 2014-15; half is 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.

The debt-servicing amount was based on last year's estimate for this fiscal year owing to a lack of current estimates availability. The forecasted amount for the 2017-18 budget was \$36 million.

Source: Northwest Territories, Department of Finance, 2018-2019 Budget, February 8, 2018.

NUNAVUT (TABLE 31)**Tax Highlights**

- No new taxes

Tax Changes**1. Corporate Income Tax**

A fuel tax rebate for mining exploration was eliminated as of May 14, 2019; in its place a funded system was implemented by the Department of Economic Development and Transportation.

2. Personal Income Tax

No changes were announced.

3. Sales Tax

No changes were announced.

4. Sin Taxes

No changes were announced, but the Nunavut government passed the Cannabis Act in June 2018. Cannabis went on sale online in Nunavut on October 17, 2018, when the sale and use of cannabis became legal in Canada.

5. Resource-Related Matters

The Nunavut Department of Finance announced that the territory did not intend to administer a territorial carbon tax and that the federal system would apply in Nunavut.

See also the eliminated rebate for fuel tax discussed above.

6. Real Estate Taxes

No changes were announced.

7. Pensions

No changes were announced.

8. Other

No changes were announced.

TABLE 31 Projected Revenues and Expenditures, Nunavut, Fiscal Year 2018-19

	<i>millions of dollars</i>
Total revenues	2,176
Total expenditures	(2,201)
Supplementary requirements, revolving funds, and contingencies	(30)
Surplus/(deficit)	<u>(54)</u>
Revenue sources	
Personal income tax	33
Corporate income tax	18
Sales tax	na
Other taxes	<u>69</u>
Total tax revenue	120
Federal transfers	1,671
Other revenues	<u>385</u>
Total revenues	<u>2,176</u>
Expenditures	
Education	253
Health	414
Debt servicing	2
Other expenditures	<u>1,532</u>
Total expenditures	<u>2,201</u>

Notes: Main estimates were prepared on a non-consolidated basis. Surplus/(deficit) was shown on a main estimates basis and not the public account basis, which funds revenues and expenditures. Expenditure figures appeared to be shown by department. The debt-servicing expenditure was reported on a cash, non-consolidated basis. (Column may not add because of rounding.)

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, 2018-2019 Budget, May 28, 2018.