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# FINANCES OF THE NATION

David Lin\*

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## SURVEY OF PROVINCIAL AND TERRITORIAL BUDGETS, 2019-20

*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 2019-20 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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## INTRODUCTION

This article has two distinct parts. First, it sets out tables and charts that show aggregate figures related to projected 2019-20 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 2019-20 fiscal-year budgets between January and April 2019. Only 5 of the 13 jurisdictions forecasted a deficit for the 2019-20 fiscal year: Ontario, Alberta, Manitoba, Nunavut, and Yukon. Most of the jurisdictions that issued projections with a forecasted deficit expected to return to a balanced budget or surplus over the longer term (three or more years).

Alberta's economy continues to struggle to recover from the 2015-16 recession. The 2019 budget, delivered by Alberta's new government on October 24, 2019, shows an improved medium-term outlook, but a quick rebound is not predicted.

The province does not expect to return to a balanced budget until 2022-23. The continued deficit position in 2019-20 is partly attributed to “chronic pipeline delays and a slowing global economy.”<sup>1</sup> The 2019 budget attempts to move Alberta from recovery into expansion by providing sweeping reductions in the general corporate income tax rate from 12 percent prior to the delivery of the budget to 8 percent by January 1, 2022.

Ontario’s 2019 budget indicates that the province’s economy has been underperforming since 2003 but has been showing positive signs in the recent term and is expected to grow steadily from 2019 to 2024. The government previously delivered a 2018 fall economic outlook and fiscal review<sup>2</sup> shortly after taking office in June 2018, but the budget delivered on April 11, 2019 is its first full budget. The government also delivered a 2019 fall economic outlook and fiscal review on November 6, 2019. Unlike the 2019 Alberta budget, neither the 2019 Ontario budget nor the province’s 2019 fall economic outlook and fiscal review forecasts a return to a balanced budget in the medium term. However, the government included a five-year recovery plan in the 2019 budget and has committed to balancing the budget by 2023-24 in a responsible manner.

Manitoba’s 2019 budget, delivered on March 7, 2019, reflects the government’s view that “Manitoba does not have a revenue problem; it has a spending problem.”<sup>3</sup> In 2019-20, the province is continuing its plan to reduce the budgetary deficit primarily through spending restraint and to return spending to sustainable levels. Expenditures for 2019-20, budgeted at \$17,480 million, remain relatively flat compared to 2018-19 expenditures forecasted at \$17,164 million. The government forecasts a deficit in the 2019-20 year that is expected to continue, though gradually decreasing, until at least 2022-23. The budget does not specify when Manitoba will return to a balanced budget. In 2019, the government called an early election and was re-elected in September with a majority for a second term.

Quebec’s 2019 budget is the first full budget delivered by the new government elected in October 2018. The 2019 budget shows that while the province is expecting moderate growth in the coming years, Quebec is confronted with an aging population that puts pressure on its labour market. Compounding this problem is a reduction in the size of the labour pool. This outlook explains some specifically targeted tax changes introduced in the 2019 budget: an expansion of the personal tax credit for experienced workers and the introduction of a refundable tax credit for corporations that employ individuals aged 60 or over.

British Columbia’s 2019 budget shows a projected surplus in the 2019-20 fiscal year, increasing slightly in 2020-21 and then doubling in 2021-22. The theme in

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1 Alberta, Ministry of Treasury Board and Finance, 2019 Budget, Budget Plan, October 24, 2019, at 27.

2 Ontario, Ministry of Finance, 2018 Fall Economic Outlook and Fiscal Review, November 15, 2018.

3 Manitoba, Department of Finance, 2019 Budget, Budget Plan, March 7, 2019, at 28.

the 2019 budget is to make life better for British Columbians, and the changes introduced by the government represent specifically targeted and deliberate measures toward the achievement of that goal. Saskatchewan's 2019 budget indicates that the province's economy is strengthening; it projects a positive outlook, showing a return to a balanced budget, with a small surplus, in 2019-20 and moderate growth in the medium and longer term. Prince Edward Island is also showing strong economic growth, with the province announcing unexpected tax cuts at the end of 2018 as well as in the 2019 budget, while maintaining a budgetary surplus in 2019-20 and future years.

Newfoundland and Labrador's 2019 budget shows a sizable surplus in 2019-20, the province's first surplus since 2011-12. This surplus is attributable to the recently signed Atlantic accord providing for \$2.5 billion of federal funding, which the province recognized in its entirety in 2019-20. However, deficits are forecast in 2020-21 and 2021-22, followed by a return to a surplus in 2022-23.

The Northwest Territories' budget is funded mainly through federal transfers, and in 2017, the territory concluded that it had only limited capacity to secure operating surpluses by increasing taxes or other own-source revenues. This view is reiterated in the 2019 budget. The Yukon government faces 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. In its 2019 budget, Yukon continues to forecast a deficit in 2019-20 while planning to return to surplus in subsequent years.

In 2019, there were significant discussions and developments in the provincial and territorial jurisdictions with respect to carbon pricing. Provinces that did not develop a carbon-pricing plan before 2019 would be subject to carbon pricing imposed by the federal government in 2019. Four provinces did not have a carbon-pricing plan in place by the deadline; accordingly, the federal carbon tax came into effect on April 1, 2019 in Saskatchewan, Manitoba, Ontario, and New Brunswick. Alberta's new government repealed its provincial carbon tax in 2019 (except for high-emission facilities that emit more than 100,000 tonnes of specified gases per year), and the federal carbon tax will apply to consumers and low-emission facilities in that province on January 1, 2020. In late 2019, the federal government accepted a carbon-pricing plan developed by New Brunswick. New Brunswick's carbon tax will come into effect on April 1, 2020, and the federal carbon tax will no longer be levied in that province as of the same day. Ontario launched a constitutional challenge to the federal imposition of a carbon tax, and the case was heard by the Ontario Court of Appeal in April 2019. In June 2019, the court announced a majority decision that the federal carbon tax is constitutional. The Ontario government has appealed the decision to the Supreme Court of Canada. Saskatchewan launched a similar constitutional challenge, and the case was heard by the Saskatchewan Court of Appeal. In May 2019, the court announced a majority decision that the federal carbon tax is

constitutional. The Saskatchewan government has also appealed the decision to the Supreme Court of Canada. In 2019, Alberta and Manitoba also filed similar judicial challenges, and no decision had been rendered at the time of writing. The outcome of the appeals to the Supreme Court of Canada also remains unknown at this time.

Overall, the budgets as delivered were neither good news nor bad news for most taxpayers: many of the tax changes made either created, extended, or improved tax credits targeting very specific initiatives. Balanced budgets inspire confidence in investors and consumers, and most provincial and territorial jurisdictions arrived at a close-to-balanced budget without increasing tax revenue except by natural growth and inflation.

Table 1 aggregates the projected budget revenue and expenditure items in each province and territory for the 2019-20 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.<sup>4</sup> 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 for the 2019-20 fiscal year averaged about 39 percent of total expenditures, as shown in table 2. For example, for the 2019-20 fiscal year, Ontario projected health-care and long-term-care expenditures of \$63,831 million or 38.97 percent of total expenditures (\$163,785 million, as shown in table 16). In contrast, in the territories, projected spending on health care in 2019-20 accounted for 21.54 percent of total expenditures for Nunavut, 27.52 percent for the Northwest Territories, and 30.88 percent for Yukon. However, on a per capita basis, the results for 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 2019-20

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4 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). 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/sppp.v11i0.43275>).

**TABLE 1 Provincial and Territorial Revenues and Expenditures, Budget Projections, Fiscal Year 2019-20**

| Province/territory             | Tax revenue                | Federal transfers | Other sources of revenue <sup>a</sup> | Total revenues | Total expenditures | Adjustments <sup>b</sup> | Surplus/(deficit) |
|--------------------------------|----------------------------|-------------------|---------------------------------------|----------------|--------------------|--------------------------|-------------------|
|                                | <i>millions of dollars</i> |                   |                                       |                |                    |                          |                   |
| Ontario <sup>c</sup> .....     | 107,744                    | 25,453            | 22,564                                | 155,761        | (163,785)          | (1,000)                  | (9,024)           |
| Quebec <sup>d</sup> .....      | 71,027                     | 24,924            | 19,687                                | 115,638        | (113,034)          | (100)                    | 2,504             |
| British Columbia.....          | 33,732                     | 9,423             | 15,892                                | 59,047         | (58,273)           | (500)                    | 274               |
| Alberta.....                   | 21,933                     | 9,200             | 18,883                                | 50,016         | (56,540)           | (2,180)                  | (8,704)           |
| Manitoba.....                  | 7,922                      | 4,815             | 4,288                                 | 17,025         | (17,480)           | (95)                     | (360)             |
| Saskatchewan.....              | 7,589                      | 2,467             | 4,969                                 | 15,025         | (14,991)           |                          | 34                |
| Nova Scotia.....               | 5,971                      | 3,456             | 1,584                                 | 11,011         | (11,144)           | 167                      | 34                |
| New Brunswick.....             | 4,791                      | 3,485             | 1,570                                 | 9,846          | (9,823)            |                          | 23                |
| Newfoundland and Labrador..... | 3,923                      | 3,871             | 2,556                                 | 10,350         | (8,425)            |                          | 1,924             |
| Prince Edward Island.....      | 1,075                      | 860               | 266                                   | 2,201          | (2,199)            |                          | 2                 |
| Northwest Territories.....     | 260                        | 1,543             | 130                                   | 1,933          | (1,802)            | (71)                     | 60                |
| Nunavut.....                   | 136                        | 1,738             | 288                                   | 2,162          | (2,166)            | (30)                     | (34)              |
| Yukon.....                     | 126                        | 1,058             | 246                                   | 1,430          | (1,436)            |                          | (6)               |

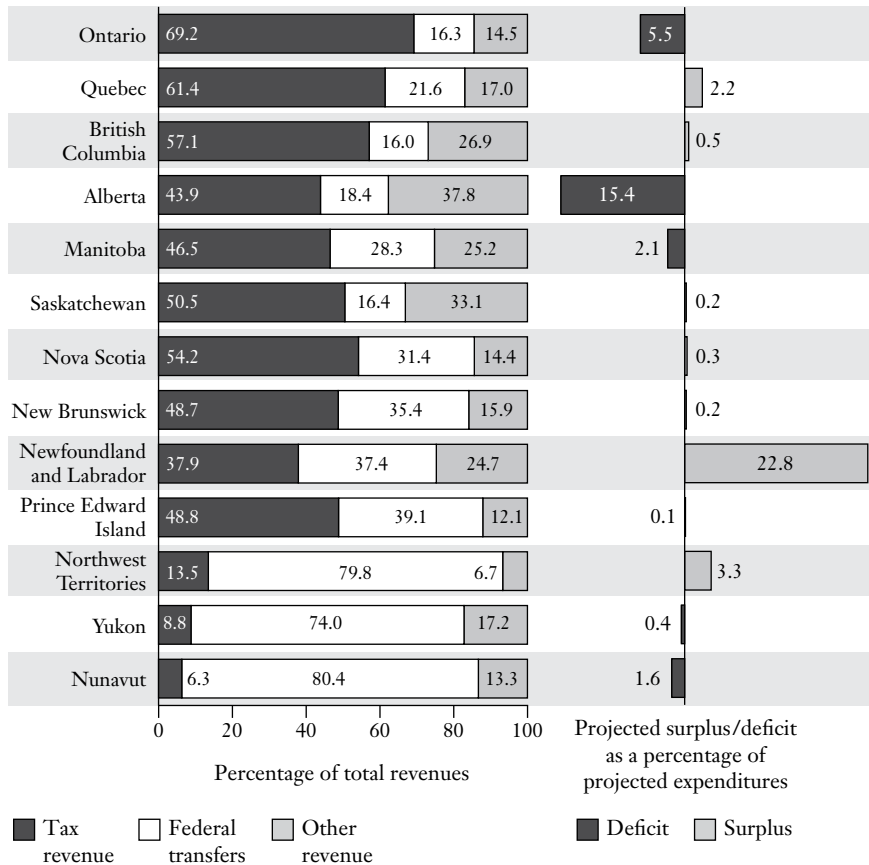
a Other sources of revenue included resource royalties; premiums, fees, and licences; commercial Crown corporation transfers; and investment income.  
 b Adjustments included consolidation numbers (in some cases) and transfers to and from reserve funds.

c Ontario numbers are from Ontario, Ministry of Finance, 2019 Fall Economic Outlook and Fiscal Review, November 6, 2019.

d Tax filers in Quebec qualify for the Quebec abatement, which reduces their federal income tax by 16.5 percentage points. Of this amount, 13.5 percentage points relates to opting-out arrangements for certain federal-provincial programs, such as hospital care and social welfare, where Quebec increased its personal income taxes by an equivalent amount. Quebec receives the value through increased provincial tax revenue, while other provinces receive the corresponding amounts in cash. The remaining 3.0 percentage points relates to the youth allowances recovery, which the federal government recovers each year from Quebec. None of the amounts presented in this table and elsewhere in this article are adjusted for the Quebec abatement.

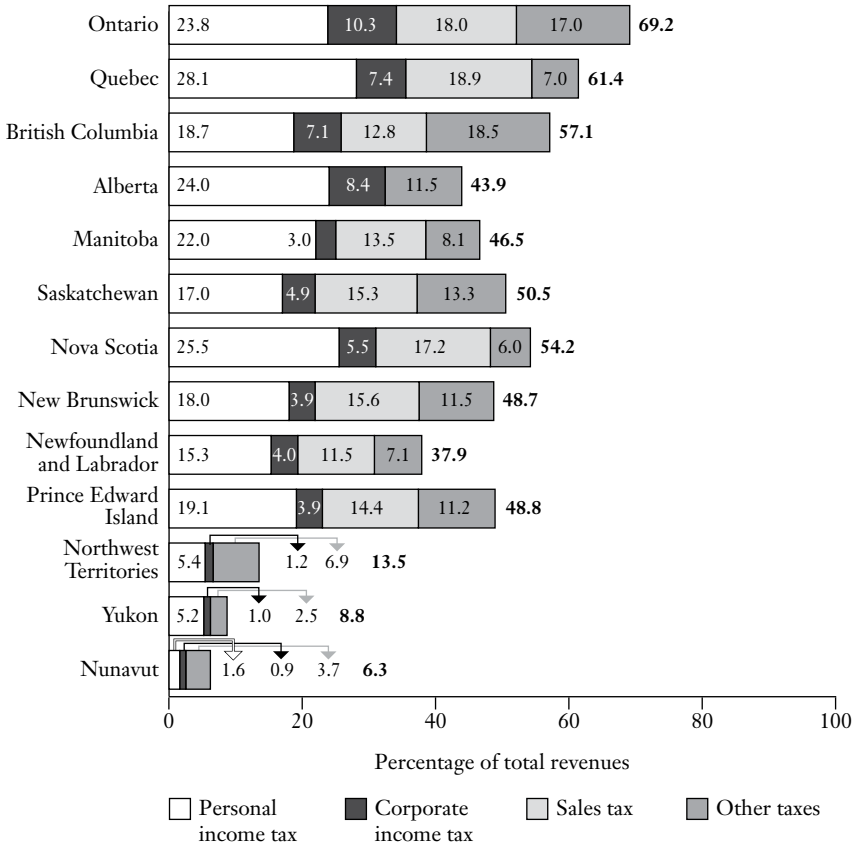
Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26. Differences are due to rounding.

**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 2019-20**



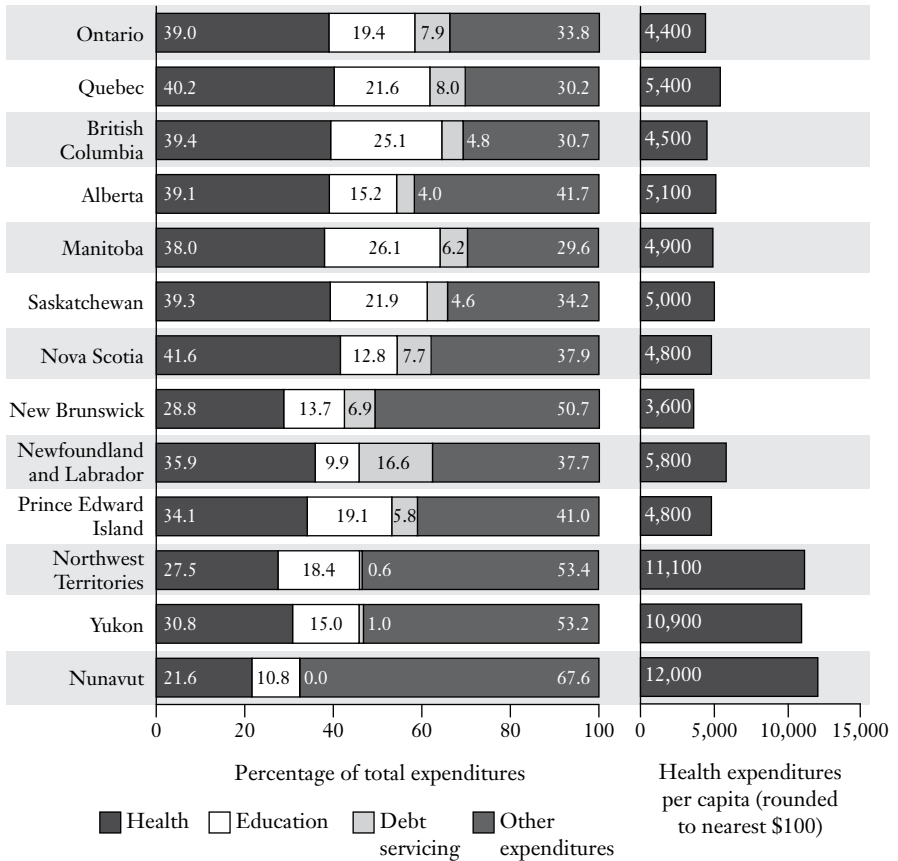
Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26, and the data summary in table 1.

**FIGURE 2 Projected Provincial and Territorial Tax Revenues by Source as a Percentage of Total Revenues, Fiscal Year 2019-20**



Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26.



**FIGURE 3 Projected Provincial and Territorial Expenditures by Spending Category as a Percentage of Total Expenditures, Fiscal Year 2019-20**

Source: Based on provincial and territorial budget documents cited in the source notes for tables 4, 12-16, 18-22, and 22-24.

**TABLE 2 Provincial and Territorial Health-Care Expenditures, Budget Projections, Fiscal Years 2016-17 to 2019-20**

| Province/territory        | Health-care expenditures   |         |                     |                     | Percentage of total expenditures |         |                    |                    |
|---------------------------|----------------------------|---------|---------------------|---------------------|----------------------------------|---------|--------------------|--------------------|
|                           | 2016-17                    | 2017-18 | 2018-19             | 2019-20             | 2016-17                          | 2017-18 | 2018-19            | 2019-20            |
|                           | <i>millions of dollars</i> |         |                     |                     |                                  |         |                    |                    |
| Ontario                   | 51,785                     | 53,763  | 61,678 <sup>a</sup> | 63,831 <sup>b</sup> | 38.68                            | 38.12   | 38.13 <sup>a</sup> | 38.97 <sup>b</sup> |
| Quebec                    | 38,372                     | 40,223  | 43,013              | 45,433              | 38.32                            | 38.78   | 39.57              | 40.19              |
| British Columbia          | 19,638                     | 20,747  | 21,651              | 22,983              | 41.38                            | 40.01   | 40.38              | 39.44              |
| Alberta                   | 20,414                     | 21,449  | 22,057              | 22,105              | 39.95                            | 39.10   | 39.26              | 39.10              |
| Manitoba                  | 6,497                      | 6,681   | 6,751               | 6,651               | 39.88                            | 39.17   | 38.75              | 38.05              |
| Saskatchewan              | 5,588                      | 5,627   | 5,765               | 5,888               | 38.65                            | 38.02   | 39.46              | 39.28              |
| Nova Scotia               | 4,132                      | 4,214   | 4,367               | 4,639               | 40.73                            | 40.02   | 40.09              | 41.62              |
| New Brunswick             | 2,602                      | 2,679   | 2,770               | 2,828               | 29.02                            | 28.56   | 28.81              | 28.79              |
| Newfoundland and Labrador | 2,676                      | 2,768   | 2,985               | 3,021               | 31.55                            | 34.10   | 35.72              | 35.85              |
| Prince Edward Island      | 617                        | 640     | 710                 | 750                 | 35.87                            | 35.32   | 35.79              | 34.11              |
| Northwest Territories     | 414                        | 423     | 462                 | 496                 | 24.91                            | 25.00   | 26.69              | 27.52              |
| Yukon                     | 461                        | 451     | 431                 | 443                 | 36.97                            | 35.18   | 32.21              | 30.88              |
| Nunavut                   | 338                        | 353     | 414                 | 467                 | 19.48                            | 18.03   | 18.81              | 21.54              |

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, Ministry of Finance, 2018 Fall Economic Outlook and Fiscal Review, November 15, 2018.

b Numbers are from Ontario, Ministry of Finance, 2019 Fall Economic Outlook and Fiscal Review, November 6, 2019.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26. 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 2019-20**

| 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>                      |   |
| 2019-20 . . . . . | 38.97  | 21.54   | 27.52                 | 30.88 | 4,400                               | 10,900-12,000   |
| 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: Numbers for 2013-14 through 2018-19 are from 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; “Survey of Provincial and Territorial Budgets, 2014-15,” *Finances of the Nation* feature (2015) 63:1 *Canadian Tax Journal* 157-215, at 162; “Survey of Provincial and Territorial Budgets, 2015-16,” *Finances of the Nation* feature (2016) 64:1 *Canadian Tax Journal* 147-206, at 151; “Survey of Provincial and Territorial Budgets, 2016-17,” *Finances of the Nation* feature (2017) 65:1 *Canadian Tax Journal* 87-145, at 96; “Survey of Provincial and Territorial Budgets, 2017-18,” *Finances of the Nation* feature (2018) 66:1 *Canadian Tax Journal* 37-109, at 51; and “Survey of Provincial and Territorial Budgets, 2018-19,” *Finances of the Nation* feature (2019) 67:1 *Canadian Tax Journal* 81-160, at 91. Numbers for 2019-20 are from this article. The population data were taken from Statistics Canada, as of the end of 2019. Because the budget numbers were estimated and the population data were taken at slightly different dates, the per capita numbers are rounded.

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 2019-20 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 2014-15<sup>5</sup> and also shows figures set out in the 2019-20 budgets for planned or targeted surpluses or deficits for up to the ensuing five fiscal years. Most jurisdictions that projected beyond the 2019-20 fiscal year planned for a surplus within the following two to four years. The previous Ontario government originally forecasted a large deficit for 2018-19, but the revised results under the new government came in lower than forecasted, but close to the revised deficit of \$9.0 billion provided for in the 2018 economic outlook and fiscal review. In

5 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.

**TABLE 4 Health-Care Expenditures as a Percentage of Total Expenditures and per Capita, Budget Projections, 2019-20**

| 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 . . . . .          | 22,983                     | 5,071.3      | 39.44  | 4,500                               |
| Alberta . . . . .                   | 22,105                     | 4,371.3      | 39.10  | 5,100                               |
| Saskatchewan . . . . .              | 5,888                      | 1,174.5      | 39.28  | 5,000                               |
| Manitoba . . . . .                  | 6,651                      | 1,369.5      | 38.05  | 4,900                               |
| Ontario . . . . .                   | 63,831                     | 14,566.5     | 38.97  | 4,400                               |
| Quebec . . . . .                    | 45,433                     | 8,485.0      | 40.19  | 5,400                               |
| New Brunswick . . . . .             | 2,828                      | 776.8        | 28.79  | 3,600                               |
| Nova Scotia . . . . .               | 4,639                      | 971.4        | 41.62  | 4,800                               |
| Prince Edward Island . . . . .      | 750                        | 157.0        | 34.11  | 4,800                               |
| Newfoundland and Labrador . . . . . | 3,021                      | 521.5        | 35.85  | 5,800                               |
| Northwest Territories . . . . .     | 496                        | 44.8         | 27.52  | 11,100                              |
| Yukon . . . . .                     | 443                        | 40.9         | 30.88  | 10,900                              |
| Nunavut . . . . .                   | 467                        | 38.8         | 21.54  | 12,000                              |

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" ([www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501](http://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501)).

the 2019-20 budget, the Ontario government planned for continuing deficits in the current and medium term. However, in the 2019 fall economic outlook and fiscal review, the government stated that it intends to balance the budget by the 2023-24 fiscal year.<sup>6</sup> The new Alberta government continues to forecast a deficit in 2019-20 with a planned return to surplus in 2022-23. While Manitoba projected a balanced budget within eight years in its 2018-19 forecast, the long-term projections in the 2019-20 budget no longer show a return to a balanced budget in future years.

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 2019-20 budgets of all provinces and territories was \$105.8 billion from personal income tax and \$35.8 billion from corporate income tax, for total revenue of \$141.5 billion from income tax. Projected aggregate sales tax revenue was \$67.1 billion, for a total of \$102.8 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 2019-20 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 2019-20 federal

6 Ontario, Ministry of Finance, 2019 Fall Economic Outlook and Fiscal Review, November 6, 2019, at 3.

**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 | 2023-24 |
|--|----------------------------|----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------|---------|---------|---------|
|  | budget<br>[revised]        | budget<br>[revised]  | budget<br>[revised]   | budget<br>[revised]   | budget<br>[revised]   | budget<br>[revised] | plan    | plan    | plan    | plan    |
|  | <i>millions of dollars</i> |                      |                       |                       |                       |                     |         |         |         |         |
| British Columbia . . . . .                     | 1,692<br>[879]             | 730<br>[379]         | 1,438<br>[2,737]      | 246<br>[151]          | 219<br>[374]          | 274                 | 287     | 585     |         |         |
| Alberta <sup>a</sup> . . . . .                 | 2,644<br>[1,115]           | (6,118)<br>[(6,492)] | (10,421)<br>[(3,077)] | (10,344)<br>[(9,066)] | (8,802)<br>[(6,711)]  | (8,704)             | (5,883) | (2,603) | 584     |         |
| Saskatchewan . . . . .                         | 71<br>[41]                 | 107<br>[(427)]       | (434)<br>[(1,289)]    | (685)<br>[(595)]      | (365)<br>[(380)]      | 34                  | 49      | 72      | 84      |         |
| Manitoba <sup>b</sup> . . . . .                | (357)<br>[(451)]           | (422)<br>[(1,012)]   | (911)<br>[(890)]      | (840)<br>[(775)]      | (521)<br>[(470)]      | (360)               | (273)   | (128)   | (28)    |         |
| Ontario . . . . .                              | (12,505)<br>[(10,933)]     | (8,512)<br>[(5,686)] | (4,306)<br>[(1,000)]  | nil                   | (14,544)<br>[(7,435)] | (9,024)             | (6,700) | (5,400) |         |         |
| Quebec <sup>c</sup> . . . . .                  | (2,350)<br>[(2,350)]       | 1,586<br>[1,431]     | 2,028<br>[2,292]      | 2,488<br>[850]        | 904<br>[5,606]        | 2,504               | 2,684   | 2,947   | 3,360   | 4,032   |
| New Brunswick . . . . .                        | (391)<br>[(255)]           | (477)<br>[(466)]     | (231)<br>[(249)]      | (192)<br>[(152)]      | (189)<br>[5]          | 23                  | 33      | 63      | 71      |         |
| Nova Scotia . . . . .                          | (279)<br>[(101)]           | (98)<br>[(71)]       | 17<br>[150]           | 21<br>[26]            | 29<br>[28]            | 34                  | 52      | 66      | 73      |         |
| Prince Edward<br>Island <sup>d</sup> . . . . . | (40)<br>[(35)]             | (28)<br>[(28)]       | (35)<br>[(47)]        | 0.6<br>[1]            | 2<br>[14]             | 2                   | 7       | 13      |         |         |

(Table 5 is concluded on the next page.)

**TABLE 5 Concluded**

| Province/territory                     | 2014-15<br>budget<br>[revised] | 2015-16<br>budget<br>[revised] | 2016-17<br>budget<br>[revised] | 2017-18<br>budget<br>[revised] | 2018-19<br>budget<br>[revised] | 2019-20<br>budget | 2020-21<br>plan | 2021-22<br>plan | 2022-23<br>plan | 2023-24<br>plan |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| Newfoundland and<br>Labrador . . . . . | (538)<br>[(1,052)]             | (1,093)<br>[(2,093)]           | (1,830)<br>[(1,717)]           | (778)<br>[(2,042)]             | (683)<br>[(521)]               | 1,924             | (796)           | (300)           | 23              |                 |
| Northwest<br>Territories . . . . .     | 200                            | 147<br>[110]                   | 119<br>[155]                   | 167<br>[75]                    | 23<br>[40]                     | 60                |                 |                 |                 |                 |
| Yukon . . . . .                        | 72                             | 23<br>[14]                     | 9<br>[8]                       | 7<br>[6]                       | (5)<br>[7]                     | (6)               | 5               | 4               |                 |                 |
| Nunavut <sup>e</sup> . . . . .         | 36<br>[112]                    | 23<br>[14]                     | (11)<br>[11]                   | 23<br>[(67)]                   | (54)<br>[(105)]                | (34)              |                 |                 |                 |                 |

- a Alberta's budget numbers for 2018-19 were restated on the 2019-20 budget basis, incorporating ministry reorganizations under the Government Organization Act, RSA 2000, c. G-10, on April 30, 2019 and on October 24, 2019 under the Appropriation Act, SA 2019, c. 17.
- b Manitoba's projections in 2015 do not include other government entities. The budget numbers 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. See Manitoba, Ministry of Finance, 2017 Budget, Budget Plan, April 11, 2017, at 13.
- c Quebec's accounting for the 2014-15 fiscal year was changed, and amounts were reported on a consolidated basis, showing general fund plus consolidated entities.
- d Prince Edward Island's accounting for the 2016-17 fiscal year was changed; reclassifications for the preceding year appear in appendix III of the estimates.
- e The three-year Nunavut forecast in the 2019 budget does not include revolving fund revenues and expenditures and showed a surplus/(deficit) of (\$26,961) in 2018-19; (\$11,964) in 2019-20; \$18,196 in 2020-21; and \$113,136 in 2021-22. The operating \$34 million deficit in the budget includes revolving funds and considers accounting adjustments relating to capital.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26.

budget projected \$170.4 billion of revenue from personal income tax, \$46.3 billion from corporate income tax, and \$9.7 billion from non-resident income tax, for a total of \$226.4 billion from income tax, plus \$40.8 billion from sales tax<sup>7</sup>—for a total of \$96.8 billion from sources other than personal income tax (corporate income tax, non-resident income tax, and sales tax). Thus, as was the case in 2013-14, the federal government projected that in fiscal 2019-20 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. While personal income tax was a declining number as a share of all budgetary revenues in prior years, the federal government is forecasting that personal income tax as a share of all budgetary revenues will begin to increase in 2019-20 through to 2023-24.<sup>8</sup> See table 6 for a tabular and detailed presentation. Table 6A shows the projected tax revenues for each province and territory as detailed in the 2019-20 budgets, including total and per capita amounts.

Table 7 shows the corporate income tax rates in the provinces and territories for 2019.

From a personal income tax perspective, most jurisdictions have established a higher tax rate bracket for high income earners over the past decade: British Columbia (for 2014, 2015, and from 2018 onward), Ontario (from 2012), Quebec (from 2013), Nova Scotia (from 2010), and Alberta, New Brunswick, Newfoundland and Labrador, and Yukon (all from 2015). Newfoundland and Labrador continued to increase its tax rates on its top tax brackets for 2016 and 2017. Newfoundland and Labrador also imposed a temporary deficit reduction levy that increased with higher tax brackets until the end of calendar 2019. In Ontario, the previous government had proposed to increase tax rates and add a new tax bracket, while eliminating the province's two surtaxes in its March 2018 budget, but the newly elected government rejected all these changes.

Manitoba and Prince Edward Island did not establish a higher tax rate bracket for high income earners, given that in both provinces the highest marginal tax rate applies at relatively lower levels of income. Furthermore, Prince Edward Island continues to impose a surtax on high income earners. In 2017, Alberta increased its credit amounts and bracket thresholds, and those amounts were indexed in 2018 and 2019. However, owing to large projected deficits in the current and future years, Alberta has suspended indexation indefinitely starting with the 2020 tax year. In Quebec, the government's November 21, 2017 economic plan reduced the lowest tax rate from 16 percent to 15 percent, retroactively for all of 2017.<sup>9</sup>

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7 Canada, Department of Finance, 2019 Budget, Budget Plan, March 19, 2019, at 285, table A2.5.

8 Ibid.

9 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 2019-20**

| Fiscal year | Federal    |            |                             |                  | Provincial and territorial |                    |            |            |                  |                     |                  |
|-------------|------------|------------|-----------------------------|------------------|----------------------------|--------------------|------------|------------|------------------|---------------------|------------------|
|             | PIT<br>(1) | CIT<br>(2) | Non-<br>resident tax<br>(3) | Sales tax<br>(4) | Income tax<br>(1+2+3)      | Non-PIT<br>(2+3+4) | PIT<br>(5) | CIT<br>(6) | Sales tax<br>(7) | Income tax<br>(5+6) | Non-PIT<br>(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               | 99.9       | 34.2       | 64.6             | 134.0               | 98.8             |
| 2019-20     | 170.4      | 46.3       | 9.7                         | 40.8             | 226.4                      | 96.8               | 105.8      | 35.8       | 67.1             | 141.5               | 102.8            |

*millions of dollars*

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

Sources: Numbers for 2013-14 through 2018-19 are from Vivien Morgan, “Survey of Provincial and Territorial Budgets, 2013-14,” *Finances of the Nation* feature (2014) 62:3 *Canadian Tax Journal* 771-812; “Survey of Provincial and Territorial Budgets, 2014-15,” *Finances of the Nation* feature (2015) 63:1 *Canadian Tax Journal* 157-215; “Survey of Provincial and Territorial Budgets, 2015-16,” *Finances of the Nation* feature (2016) 64:1 *Canadian Tax Journal* 147-206; “Survey of Provincial and Territorial Budgets, 2016-17,” *Finances of the Nation* feature (2017) 65:1 *Canadian Tax Journal* 87-145; “Survey of Provincial and Territorial Budgets, 2017-18,” *Finances of the Nation* feature (2018) 66:1 *Canadian Tax Journal* 37-109; and “Survey of Provincial and Territorial Budgets, 2018-19,” *Finances of the Nation* feature (2019) 67:1 *Canadian Tax Journal* 81-160, at 96. Numbers for 2019-20 are from this article and from Canada, Department of Finance, 2019 Budget, Budget Plan, March 19, 2019, at 285, table A2.5.



**TABLE 6A Projected Tax Revenues for Provinces and Territories, by Category and per Capita, 2019-20**

| Province/territory                        | PIT                        | CIT    | Sales tax | Other  | Total   | Per capita     |
|---|----------------------------|--------|-----------|--------|---------|----------------|
|   | <i>millions of dollars</i> |        |           |        |         | <i>dollars</i> |
| British Columbia . . . . .                | 11,055                     | 4,192  | 7,586     | 10,899 | 33,732  | 6,700          |
| Alberta . . . . .                         | 11,990                     | 4,177  | na        | 5,766  | 21,933  | 5,000          |
| Saskatchewan . . . . .                    | 2,556                      | 729    | 2,305     | 1,999  | 7,589   | 6,500          |
| Manitoba . . . . .                        | 3,744                      | 506    | 2,293     | 1,379  | 7,922   | 5,800          |
| Ontario . . . . .                         | 37,125                     | 16,107 | 28,067    | 26,445 | 107,744 | 7,400          |
| Quebec . . . . .                          | 32,498                     | 8,516  | 21,864    | 8,149  | 71,027  | 8,400          |
| New Brunswick . . . . .                   | 1,773                      | 381    | 1,539     | 1,098  | 4,791   | 6,200          |
| Nova Scotia . . . . .                     | 2,811                      | 605    | 1,896     | 659    | 5,971   | 6,100          |
| Prince Edward Island . . . . .            | 420                        | 86     | 316       | 253    | 1,075   | 6,800          |
| Newfoundland and<br>Labrador . . . . .    | 1,587                      | 411    | 1,187     | 738    | 3,923   | 7,500          |
| Northwest Territories . . . . .           | 104                        | 23     | na        | 133    | 260     | 5,800          |
| Yukon . . . . .                           | 75                         | 15     | na        | 36     | 126     | 3,100          |
| Nunavut . . . . .                         | 35                         | 20     | na        | 81     | 136     | 3,500          |
| Total and per capita<br>average . . . . . | 105,773                    | 35,768 | 67,053    | 57,635 | 266,229 | 7,100          |

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

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26. Population data are from Statistics Canada, table 17-10-0005-01 (formerly CANSIM table 051-0001), "Population Estimates on July 1st by Age and Sex" ([www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501](http://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710000501)).

In 2019, there were no changes to provincial personal tax rates and brackets other than an adjustment for indexation. Provinces and territories that wanted to reduce personal income taxes for their residents in 2019 generally did so by providing new targeted tax credits or by increasing the basic personal amount.

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 2019.

Table 9 shows the sales tax rates in each jurisdiction for 2019. 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, the same as the rate in Nova Scotia. In 2016, New Brunswick and Newfoundland

**TABLE 7 Provincial and Territorial Corporate Income Tax Rates, 2019**

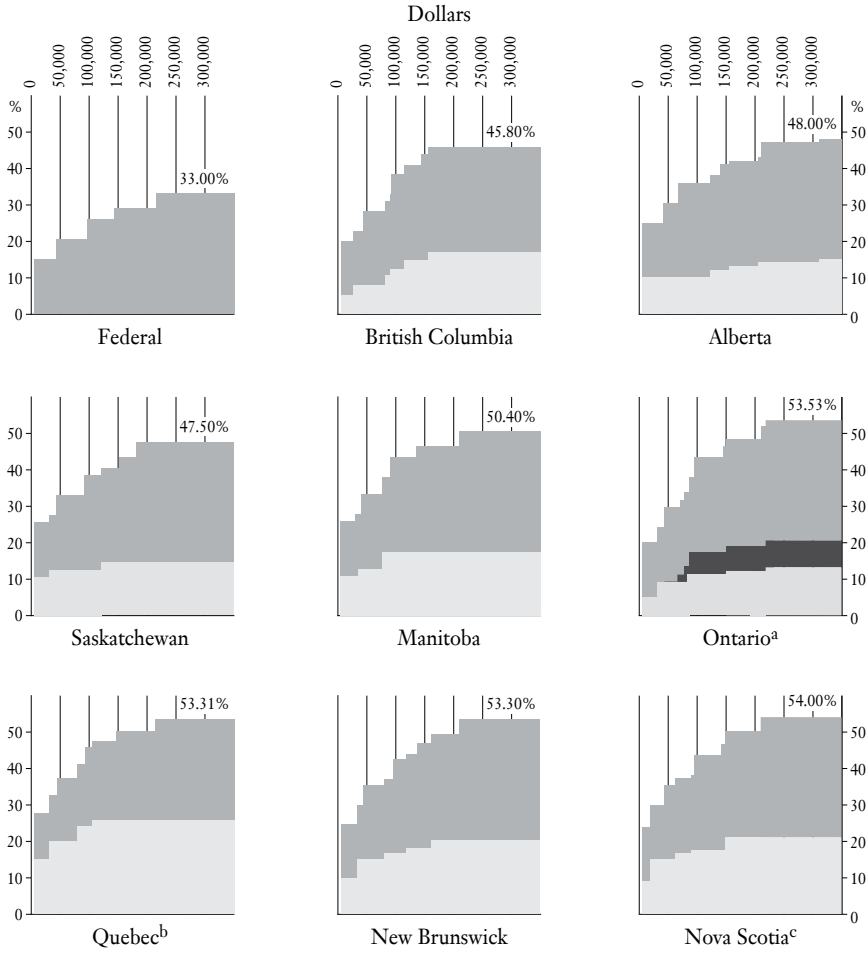
| Province/territory                  | General rate           | M & P rate             | Small business rate     | Small business limit <sup>a</sup> |
|-------------------------------------|------------------------|------------------------|-------------------------|-----------------------------------|
|                                     |                        | <i>percent</i>         |                         | <i>dollars</i>                    |
| British Columbia . . . . .          | 12.0                   | 12.0                   | 2.0                     | 500,000                           |
| Alberta . . . . .                   | 12.0/11.0 <sup>b</sup> | 12.0/11.0 <sup>b</sup> | 2.0                     | 500,000                           |
| Saskatchewan <sup>c</sup> . . . . . | 12.0                   | 10.0                   | 2.0                     | 600,000                           |
| Manitoba . . . . .                  | 12.0                   | 12.0                   | 0.0                     | 500,000 <sup>d</sup>              |
| Ontario . . . . .                   | 11.5                   | 10.0 <sup>e</sup>      | 3.5                     | 500,000                           |
| Quebec . . . . .                    | 11.6                   | 11.6                   | 6.0 or 4.0              | 500,000                           |
| New Brunswick . . . . .             | 14.0                   | 14.0                   | 2.5                     | 500,000                           |
| Nova Scotia . . . . .               | 16.0                   | 16.0                   | 3.0                     | 500,000                           |
| Prince Edward Island . . . . .      | 16.0                   | 16.0                   | 3.5 <sup>f</sup>        | 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 <sup>g</sup> | 500,000                           |
| Nunavut . . . . .                   | 12.0                   | 12.0                   | 4.0/3.0 <sup>h</sup>    | 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. The small business limit may also be reduced if the corporation earns aggregate investment income paralleling federal measures; however, not all provinces have chosen to adopt this reduction.
- b Alberta's general rate, which also applies to M & P corporations, decreased from 12 percent to 11 percent effective July 1, 2019.
- 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.
- d The small business deduction threshold was increased to \$500,000 on January 1, 2019, as announced in Manitoba's 2018 budget.
- e 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.
- f Prince Edward Island's small business rate was reduced to 3.5 percent effective January 1, 2019, as announced by the government in late 2018.
- g In Yukon, the 1.5 percent rate applies to M & P income of a CCPC up to the small business limit.
- h Nunavut decreased the small business tax rate to 3 percent effective July 1, 2019.

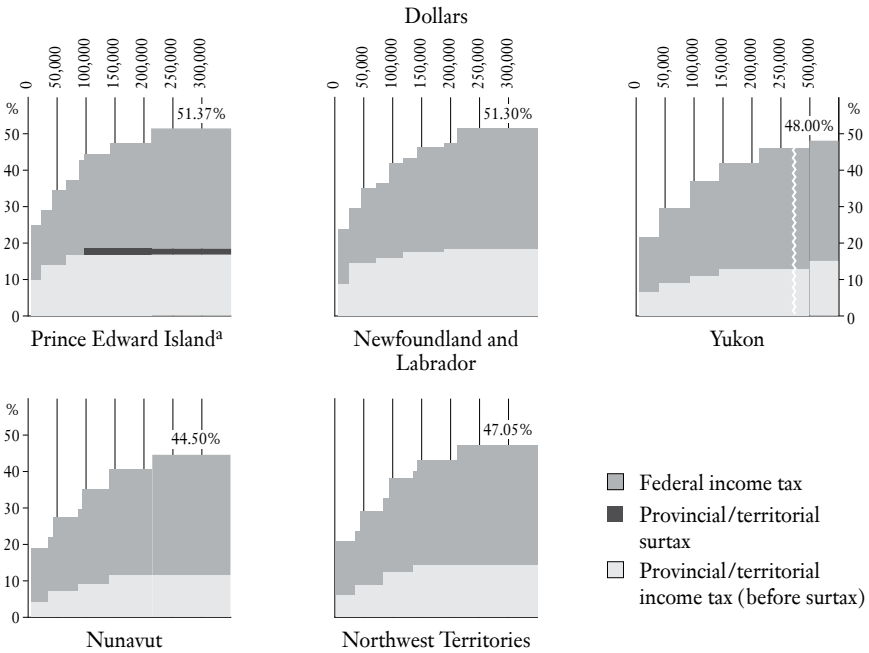
Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26.

**FIGURE 4 Personal Income Tax Marginal Rates  
Applicable to Taxable Income, 2019**



(Figure 4 is concluded on the next page.)

**FIGURE 4 Concluded**



- a Surtax calculations assume that the only credit claimed by the taxpayer is the basic personal amount.
- b Federal income tax has been reduced by 16.5 to reflect the provincial abatement.
- c Nova Scotia's basic personal amount is increased by up to \$3,000 if taxable income is under \$75,000. The provincial rates do not reflect the tax savings from an increased basic personal amount.

Source: Data compiled by the author.

**TABLE 8 Provincial and Territorial Personal Income Tax Brackets and Rates, 2019**

| Province/territory                  | Tax bracket             | Rate           | Surtax (percentage of regular tax) and top combined rate <sup>a</sup>     |
|-------------------------------------|-------------------------|----------------|---|
|                                     | <i>dollars</i>          | <i>percent</i> |   |
| British Columbia . . . . .          | 0 to 40,707             | 5.06           |   |
|                                     | over 40,707 to 81,416   | 7.70           |   |
|                                     | over 81,416 to 93,476   | 10.50          |   |
|                                     | over 93,476 to 113,506  | 12.29          |   |
|                                     | over 113,506 to 153,900 | 14.70          |   |
|                                     | over 153,900            | 16.80          | Top combined rate of 49.80%   |
| Alberta <sup>b</sup> . . . . .      | 0 to 131,220            | 10.00          |   |
|                                     | 131,220.01 to 157,464   | 12.00          |   |
|                                     | 157,464.01 to 209,952   | 13.00          |   |
|                                     | 209,952.01 to 314,928   | 14.00          |   |
|                                     | over 314,928            | 15.00          | Top combined rate of 48.00%   |
| Saskatchewan <sup>b</sup> . . . . . | 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 . . . . .                  | 0 to 32,670             | 10.80          |   |
|                                     | over 32,670 to 70,610   | 12.75          |   |
|                                     | over 70,610             | 17.40          | Top combined rate of 50.40%   |
| Ontario . . . . .                   | 0 to 43,906             | 5.05           | Surtax equal to 20% of basic personal tax greater than \$4,740            |
|                                     | over 43,906 to 87,813   | 9.15           | Additional surtax equal to 36% of basic personal tax greater than \$6,067 |
|                                     | over 87,813 to 150,000  | 11.16          |   |
|                                     | over 150,000 to 220,000 | 12.16          |   |
|                                     | over 220,000            | 13.16          | Top combined rate of 53.53%   |
| Quebec . . . . .                    | 0 to 43,790             | 15.00          |   |
|                                     | over 43,790 to 87,575   | 20.00          |   |
|                                     | over 87,575 to 106,555  | 24.00          |   |
|                                     | over 106,555            | 25.75          | Top combined rate of 53.31%   |
| New Brunswick . . . . .             | 0 to 42,592             | 9.68           |   |
|                                     | 42,593 to 85,184        | 14.82          |   |
|                                     | 85,185 to 138,491       | 16.52          |   |
|                                     | 138,492 to 157,778      | 17.84          |   |
|                                     | Over 157,778            | 20.30          | Top combined rate of 53.30%   |
| Nova Scotia <sup>b</sup> . . . . .  | 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 <sup>a</sup> |
|--|-------------------------|----------------|---|
|  | <i>dollars</i>          | <i>percent</i> |   |
| Prince Edward Island <sup>b</sup> . . . . .      | 0 to 31,984             | 9.80           | Surtax equal to 10% of basic provincial tax in excess of \$12,500     |
|  | 31,985 to 63,969        | 13.80          |   |
|  | over 63,969             | 16.70          | Top combined rate of 51.37%   |
| Newfoundland and Labrador <sup>c</sup> . . . . . | 0 to 37,591             | 8.70           |   |
|  | over 37,591 to 75,181   | 14.50          |   |
|  | over 75,181 to 134,224  | 15.80          |   |
|  | over 134,224 to 187,913 | 17.30          |   |
|  | over 187,913            | 18.30          | Top combined rate of 51.30%   |
| Northwest Territories . . .                      | 0 to 43,137             | 5.90           |   |
|  | over 43,137 to 86,277   | 8.60           |   |
|  | over 86,277 to 140,267  | 12.20          |   |
|  | over 140,267            | 14.05          | Top combined rate of 47.05%   |
| Yukon . . . . .                                  | 0 to 47,630             | 6.40           |   |
|  | 47,631 to 95,259        | 9.00           |   |
|  | 95,260 to 147,667       | 10.90          |   |
|  | 147,668 to 500,000      | 12.80          |   |
|  | over 500,000            | 15.00          | Top combined rate of 48.00%   |
| Nunavut . . . . .                                | 0 to 45,414             | 4.00           |   |
|  | over 45,414 to 90,829   | 7.00           |   |
|  | over 90,829 to 147,667  | 9.00           |   |
|  | over 147,667            | 11.50          | Top combined rate of 44.50%   |

- a The top federal rate, used to arrive at the top combined rate, is 33 percent.
- b Not indexed for inflation. Alberta’s personal income tax rates were indexed for inflation in 2019, but indexation will be suspended for 2020 and future taxation years. Saskatchewan’s personal income tax rates were frozen at 2018 levels for 2019 and 2020.
- c 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 12-16, 18-22, and 24-26.

**TABLE 9 Provincial and Territorial Sales Tax Rates, Percent, 2019**

| Province/territory                               | GST or federal portion of HST | Provincial portion of HST | PST and QST      | Combined <sup>a</sup> |
|--|-------------------------------|---------------------------|------------------|-----------------------|
| British Columbia . . . . .                       | 5                             |                           | 7                | 12                    |
| Alberta . . . . .                                | 5                             |                           |                  | 5                     |
| Saskatchewan . . . . .                           | 5                             |                           | 6                | 11                    |
| Manitoba . . . . .                               | 5                             |                           | 8/7 <sup>b</sup> | 13/12                 |
| 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 <sup>c</sup> . . . . . | 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 Manitoba reduced its PST to 7 percent effective July 1, 2019, as announced in the 2019 budget.
- c Newfoundland and Labrador eliminated its sales tax on automobile insurance policies effective April 16, 2019.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26.

and Labrador increased their 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. In 2019, the Manitoba PST rate was reduced to 7 percent effective July 1, 2019. Newfoundland and Labrador also eliminated its retail sales tax on automobile insurance premiums effective April 16, 2019.

## PROVINCIAL AND TERRITORIAL BUDGETS BY JURISDICTION

Table 10 summarizes the various dates for the 2019-20 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 available in 2019. The 2019 Alberta budget eliminated the province's R & D tax credit for all expenditures incurred after December 31, 2019; accordingly, the Alberta scientific research and experimental development (SR & ED)

**TABLE 10 Provincial and Territorial Surplus/(Deficit) Projections, Fiscal Year 2019-20**

| Province/territory                     | Budget date                   | Finance minister             | Projected surplus/<br>(deficit) |
|--|-------------------------------|------------------------------|---------------------------------|
|  |                               |                              | <i>millions of dollars</i>      |
| British Columbia . . . . .             | February 19, 2019             | Carole James <sup>a</sup>    | 274                             |
| Alberta . . . . .                      | October 24, 2019              | Travis Towes <sup>b</sup>    | (8,704)                         |
| Saskatchewan . . . . .                 | March 20, 2019                | Donna Harpauer               | 34                              |
| Manitoba . . . . .                     | March 7, 2019                 | Scott Fielding               | (360)                           |
| Ontario . . . . .                      | April 11, 2019                | Victor Fedeli                | (10,279)                        |
|  | November 6, 2019 <sup>c</sup> | Rod Phillips                 | (9,024)                         |
| Quebec . . . . .                       | March 21, 2019                | Eric Girard                  | 2,504                           |
| New Brunswick . . . . .                | March 19, 2019                | Ernie Steeves                | 23                              |
| Nova Scotia . . . . .                  | March 26, 2019                | Karen Casey <sup>d</sup>     | 34                              |
| Prince Edward Island . . .             | June 25, 2019                 | Darlene Compton <sup>e</sup> | 2                               |
| Newfoundland and<br>Labrador . . . . . | April 16, 2019                | Tom Osborne <sup>f</sup>     | 1,924                           |
| Northwest Territories . . .            | February 6, 2019              | Robert C. McLeod             | 60                              |
| Yukon . . . . .                        | March 7, 2019                 | Sandy Silver <sup>g</sup>    | (6)                             |
| Nunavut . . . . .                      | February 20, 2019             | George Hickes                | (34)                            |

a Minister of finance and deputy premier.

b President of the Treasury Board and minister of finance.

c Ontario, Ministry of Finance, 2019 Fall Economic Outlook and Fiscal Review, November 6, 2019. Both the budget and the economic statement figures are listed in the Ontario summary, table 16.

d Minister of finance and Treasury Board.

e Minister of finance and chair of the Treasury Board.

f Minister of finance and president of the Treasury Board.

g Premier and minister of finance.

Source: Based on provincial and territorial budget documents cited in the source notes for tables 12-16, 18-22, and 24-26.

tax credit will no longer be available from 2020 onward. The table details rates and indicates 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.<sup>10</sup>

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 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.

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



**TABLE 11 Provincial and Territorial Research and Development (R & D) Tax Credits, 2019<sup>a</sup>**

| Province/territory  | R & D tax credit rate (%) | Is credit refundable? | Unused credits             |                               | Who can claim the credit?  |
|---|---------------------------|-----------------------|----------------------------|-------------------------------|----------------------------|
|   |                           |                       | Carryback (taxation years) | Carryforward (taxation years) |                            |
| Alberta <sup>b</sup> . . . . .  | 10                        | ✓                     | na                         | na                            | Corporation <sup>c</sup>   |
| British Columbia . . . . .  |                           |                       |                            |                               |                            |
| Qualifying CCPC <sup>d</sup> . . . . .                                | 10                        | ✓                     | na                         | na                            | Corporation                |
| Other corporation . . . . .   | 10                        | ✗                     | 3                          | 10                            | Corporation                |
| Manitoba . . . . .  | 15                        | ✓ <sup>e</sup> /✗     | 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 <sup>f</sup> . . . . .                          | 8                         | ✓                     | na                         | na                            | Corporation                |
| Business research institute tax credit <sup>g</sup> . . . . .         | 20                        | ✓                     | na                         | na                            | Corporation                |
| R & D tax credit . . . . .  | 3.5                       | ✗                     | 3                          | 20                            | Corporation                |
| Prince Edward Island . . . . .  | na                        | na                    | na                         | na                            |                            |
| Quebec <sup>h</sup> . . . . .   |                           |                       |                            |                               |                            |
| R & D wage tax credit <sup>i</sup> . . . . .                          | 14 to 30                  | ✓                     | na                         | na                            | Corporation and individual |
| University R & D tax credit <sup>j</sup> . . . . .                    | 14 to 30                  | ✓                     | na                         | na                            | Corporation and individual |
| Private partnership pre-competitive tax credit <sup>k</sup> . . . . . | 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 |
| Saskatchewan <sup>l</sup> . . . . .                                   |                           |                       |                            |                               |                            |
| Qualifying CCPC <sup>m</sup> . . . . .                                | 10                        | ✓                     | na                         | na                            | Corporation                |
| Other corporation . . . . .   | 10                        | ✗                     | 3                          | 10                            | Corporation                |
| Yukon . . . . .   | 15 <sup>n</sup>           | ✓                     | na                         | na                            | Corporation and individual |

(Table 11 is continued on the next page.)

**TABLE 11 Continued**

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). In the 2019 budget, the Alberta government withdrew the R & D tax credit such that eligible expenses incurred after December 31, 2019 will no longer qualify for the credit.
- 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).
  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).

(Table 11 is concluded on the next page.)

**TABLE 11 Concluded**

- 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 refundable credit is \$100,000).
- n Yukon's rate is 20 percent for R & D expenditures made to Yukon College.

Source: Based on table 11 in Vivien Morgan, "Survey of Provincial and Territorial Budgets, 2018-19," *Finances of the Nation* feature (2019) 67:1 *Canadian Tax Journal* 81-160, at 105-7, updated by the author to include changes for 2019.

Notes to each table also refer to the jurisdiction's significant resource revenue, if any. The "tax highlights" box at the beginning of each provincial/territorial 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.
3. **Sales tax:** HST, GST, PST, QST.
4. **Excise 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**

- No changes to corporate or personal income tax rates
- Extension of various corporate and personal tax credits

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

The 2019 budget did not change corporate income tax rates.

The training tax credit for employers was extended for one year, to the end of 2019.

The farmers' food donation corporate tax credit was extended for one year, to the end of 2020.

The mining exploration tax credit for corporate income tax was made permanent.

The shipbuilding and ship repair industry tax credit was extended for three years, to the end of 2022.

The small business venture capital tax credit program has been enhanced. Effective February 20, 2019, the maximum amount that eligible business corporations can raise through the program is increased from \$5 million to \$10 million. Advanced commercialization has also been added as an eligible business activity, but only for businesses outside the Metro Vancouver Regional District and the Capital Regional District. Eligible small businesses and eligible business corporations can engage in activities related to scaling up their business after two years in the tax credit program. Furthermore, companies that exit the program are eligible for a reduction in the amount that they are required to reimburse the government if they exit the tax credit program after two years, instead of after three years.

**2. Personal Income Tax**

The 2019 budget did not change the personal income tax rates or brackets.

The budget provides a reminder that medical services plan premiums will be fully eliminated effective January 1, 2020, as previously announced on December 27, 2017.

On October 1, 2020, a new BC child opportunity benefit will come into effect, combining the existing BC early childhood tax benefit with expanded child-support measures. The new BC child opportunity benefit will provide a refundable tax credit of up to \$1,600 for a family's first child, \$1,000 for a second child, and \$800 for each subsequent child under the age of 18. The benefit is income-tested and will be reduced by 4 percent of family net income over \$25,000. The new benefit begins to be phased out at a rate of 4 percent of family net income over \$80,000. The \$25,000 and \$80,000 thresholds will be indexed to inflation in future years.

The climate action tax credit has been enhanced effective July 1, 2019 and will increase from \$135.00 to \$154.50 per adult and from \$40.00 to \$45.50 per child. Further increases in the maximum annual climate action tax credit were also announced to be effective July 1, 2020 and July 1, 2021.

**TABLE 12 Projected Revenues and Expenditures, British Columbia,  
Fiscal Year 2019-20**

|                                | <i>millions of dollars</i> |
|--------------------------------|----------------------------|
| Total revenues . . . . .       | 59,047                     |
| Total expenditures . . . . .   | (58,273)                   |
| Reserve . . . . .              | (500)                      |
| Surplus/(deficit) . . . . .    | <u>274</u>                 |
| Revenue sources                |                            |
| Personal income tax . . . . .  | 11,055                     |
| Corporate income tax . . . . . | 4,192                      |
| Sales tax . . . . .            | 7,586                      |
| Other taxes . . . . .          | 10,899                     |
| Total tax revenue . . . . .    | 33,732                     |
| Federal transfers . . . . .    | 9,423                      |
| Other revenues . . . . .       | 15,892                     |
| Total revenues . . . . .       | <u>59,047</u>              |
| Expenditures                   |                            |
| Education . . . . .            | 14,609                     |
| Health . . . . .               | 22,983                     |
| Debt servicing . . . . .       | 2,797                      |
| Other expenditures . . . . .   | 17,884                     |
| Total expenditures . . . . .   | <u>58,273</u>              |

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

Source: British Columbia, Ministry of Finance, 2019 Budget, February 19, 2019.

The training tax credit for apprentices was extended for one year, to the end of 2019.

The farmers' food donation tax credit was extended for one year, to the end of 2020.

The mining flowthrough share tax credit was made permanent, effective January 1, 2019.

The mining exploration tax credit for personal income tax was made permanent.

The pension tax credit was expanded to apply in respect of certain retirement income security benefits paid to veterans effective for 2015 and subsequent tax years.

The calculation of tax on split income was adjusted to allow the application of the disability tax credit effective for 2018 and subsequent tax years.

The calculation of the income threshold for the medical expense tax credit was adjusted to allow the inclusion of split income effective for 2018 and subsequent tax years.

The small business venture capital tax credit was enhanced, allowing individuals to claim a maximum annual credit of \$120,000 (increased from \$60,000) for any investments made after February 19, 2019. Furthermore, effective February 20,

2019, share transfers to a tax-free savings account (TFSA) are permitted, and equity purchases made within a TFSA are eligible for the tax credit. Effective March 2, 2019, investments in convertible equity of an eligible business corporation can also qualify for the tax credit.

### **3. Sales Tax**

Effective on royal assent, a principal and an agent can jointly elect to designate a single party to be responsible for tax collection, reporting, and remittance obligations for PST when a principal uses an agent to make a sale or lease, or when a billing agent is used to collect payments. For any sales made by auction, an auctioneer acting as an agent is automatically designated as the party responsible for collecting, reporting, and remitting PST unless the parties jointly elect to assign the obligations to the principal.

### **4. Excise Taxes**

No changes were announced.

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

Effective July 1, 2019, the Motor Fuel Tax Act was amended to enable the Trans-Link service region to increase its motor fuel tax rates on clear gasoline and clear diesel from the current rate of 17 cents per litre to a maximum of 18.5 cents per litre.

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

As announced in the 2018 budget, effective for 2019 and subsequent years, the school tax rate increased 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 of 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.

Also announced in the 2018 budget and effective for 2019 and subsequent tax years, municipal revitalization property tax exemptions for eligible new purpose-built non-stratified rental housing (or substantially renovated with a minimum net gain of five units) will apply to provincial property taxes. The provincial tax exemption applies only for revitalization tax exemption certificates issued after February 20, 2018.

The speculation and vacancy tax was introduced in 2018 and applied to specified owners of residential property in the province at a rate of \$5 per \$1,000 of the assessed value of the property. The tax was meant to target foreign and domestic homeowners who did not pay income tax in British Columbia, including owners of vacant property. For 2019 and future tax years, the tax rate has increased and will

vary depending on the taxpayer's place of residence and the jurisdiction where he or she pays income taxes. The rate in 2019 for residential property within specified geographic areas (including the Capital Regional District, Metro Vancouver Regional District, Abbotsford, Mission, Chilliwack, Kelowna, West Kelowna, Nanaimo, and Lantzville) is \$20 per \$1,000 of assessed value for foreign owners and satellite families or \$5 per \$1,000 of assessed value for British Columbians and other Canadian citizens or permanent residents who are not members of a satellite family. A satellite family is defined as an individual or spousal unit where the majority of the family's worldwide income for the year is not reported on a Canadian tax return. Many exemptions from the speculation and vacancy tax are available, allowing 99 percent of British Columbians to be exempt from this tax.<sup>11</sup> A non-refundable tax credit—the amount of which depends on the taxpayer's residence—may be available to taxpayers who are subject to the tax to reduce their provincial income tax payable.

The average residential class school property tax increased in 2019 by the province's inflation rate in the previous year in accordance with longstanding policy in place since 2003. Rates were to be set when revised assessment roll data became available in the spring.

Non-residential school property tax rates were increased for 2019 by inflation plus new construction, except for the rate for the industrial property classes, in accordance with longstanding policy in place since 2005. Rates were to be set when revised assessment roll data became available in the spring. 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 announced in the 2008 budget.

The single rural area residential property tax rate increased for 2019 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 to be set when revised assessment data became available in the spring.

## **7. Pensions**

No changes were announced.

## **8. Other**

Various technical amendments were made to provide for clarity and certainty. These include changes to various provincial statutes to provide for the sharing of information; for example, changes to the Income Tax Act allow taxpayer information to be shared with an official for the purposes of administering the Workers Compensation Act.

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11 British Columbia, "Exemptions for Speculation and Vacancy Tax" ([www2.gov.bc.ca/gov/content/taxes/property-taxes/speculation-and-vacancy-tax/exemptions-speculation-and-vacancy-tax](http://www2.gov.bc.ca/gov/content/taxes/property-taxes/speculation-and-vacancy-tax/exemptions-speculation-and-vacancy-tax)).

**ALBERTA (TABLE 13)****Tax Highlights**

- Substantial reduction of the general corporate rate phased in over four years
- Indexation of personal income tax brackets and personal tax amounts suspended indefinitely
- Elimination of various tax credits, including the SR & ED tax credit

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

Alberta's new government tabled the Alberta Corporate Tax Amendment Act ("the Job Creation Tax Cut") on May 28, 2019. This bill reduced Alberta's general corporate tax rate from 12 percent to 11 percent effective July 1, 2019. The rate will be further reduced in the next three years: from 11 percent to 10 percent on January 1, 2020; from 10 percent to 9 percent on January 1, 2021; and from 9 percent to 8 percent on January 1, 2022. Manufacturing and processing corporations in Alberta pay tax at the general corporate tax rate and will benefit from the announced reductions.

The 2019 budget confirms that the province has chosen to parallel changes to the capital cost allowance (CCA) regime introduced by the federal government in its 2018 fall economic statement<sup>12</sup> that provide an increased CCA deduction for eligible depreciable property acquired after November 20, 2018 and available for use before 2028.

Because of the reduction in Alberta's general corporate tax rate, the 2019 budget eliminates various corporate tax credits. The SR & ED tax credit will be eliminated starting in 2020 in respect of previously eligible expenses incurred after December 31, 2019. The Alberta investor tax credit (AITC), the community economic development corporation tax credit (CEDCTC), and the capital investment tax credit, which were introduced by the previous government on a temporary basis until 2021-22, are being eliminated, with no new approvals to be granted after October 24, 2019. The interactive digital media tax credit has also been eliminated, and no new approvals will be granted after October 24, 2019. Any businesses that were approved for the AITC or the CEDCTC prior to October 24, 2019 had until December 31, 2019 to raise capital for these credits.

**2. Personal Income Tax**

The 2019 budget introduced the Alberta child and family benefit (ACFB) beginning in July 2020 to replace the Alberta family employment tax credit and the Alberta child benefit. The amount that families can receive will depend on the number of children under the age of 18 and the family's employment income and net income. The new ACFB includes a base component and a working component that is phased in when

12 Canada, Department of Finance, Fall Economic Statement, November 21, 2018.



**TABLE 13 Projected Revenues and Expenditures, Alberta, Fiscal Year 2019-20**

|   | <i>millions of dollars</i> |
|---|----------------------------|
| Total revenues . . . . .  | 50,016                     |
| Total expenditures . . . . .  | (56,540)                   |
| Reserve for crude-by-rail and contingency/disaster assistance . . . . . | (2,180)                    |
| Surplus/(deficit) . . . . .   | <u>(8,704)</u>             |
| Revenue sources   |                            |
| Personal income tax . . . . .   | 11,990                     |
| Corporate income tax . . . . .  | 4,177                      |
| Sales tax . . . . .   | na                         |
| Other taxes . . . . .   | <u>5,766</u>               |
| Total tax revenue . . . . .   | 21,933                     |
| Federal transfers . . . . .   | 9,200                      |
| Other revenues . . . . .  | <u>18,883</u>              |
| Total revenues . . . . .  | <u>50,016</u>              |
| Expenditures  |                            |
| Education . . . . .   | 8,580                      |
| Health . . . . .  | 22,105                     |
| Debt servicing . . . . .  | 2,265                      |
| Other expenditures . . . . .  | <u>23,590</u>              |
| Total expenditures . . . . .  | <u>56,540</u>              |

Notes: The budget was presented on a fully consolidated basis, which includes school boards, universities and colleges, health entities, and the Alberta Innovates corporations.

Source: Alberta, Ministry of Treasury Board and Finance, 2019 Budget, Budget Plan, October 24, 2019.

family employment income exceeds \$2,760. Both the base component and the working component are income-tested and start to phase out at \$24,467 and \$41,000 of family net income, respectively. The ACFB will be paid quarterly, and the amounts are non-taxable.

The changes to the AITC and CEDCTC, discussed in the “Corporate Income Tax” section above, will also affect individual taxpayers in Alberta.

As promised in the 2016 budget, income tax brackets began to be indexed as of 2017. However, the 2019 budget has suspended the indexation of non-refundable tax credits and tax bracket thresholds in 2020 and future tax years. Indexation will resume “once economic and fiscal conditions can support it.”<sup>13</sup>

The 2019 budget eliminated the Alberta education and tuition tax credit for 2020 and subsequent tax years, paralleling the elimination of the federal education and tuition tax credit. Any Alberta education and tuition tax credits earned prior to 2020 can continue to be carried forward and applied in a future tax year.

13 Alberta, 2019 Budget Plan, supra note 1, at 149.

To preserve tax integration, the 2019 budget proposed adjustment of the dividend tax credit for eligible dividends effective on January 1, 2021 and January 1, 2022, corresponding to the legislated reductions in the general corporate income tax rate. The dividend tax credit rates were not announced in the 2019 budget, but a reduction to the dividend tax credit is expected, which will increase the personal taxes payable on eligible dividends received after December 31, 2020.

### **3. Sales Tax**

No changes were announced with respect to a PST. Alberta does not impose a general tax on retail sales.

Alberta does, however, impose a tourism levy of 4 percent on temporary accommodation rentals. The 2019 budget indicates that the government intends to bring forward legislation in the spring of 2020 to extend the tourism levy to short-term rentals (STRs) offered through online marketplaces such as Airbnb, HomeAway, and Vacation Rental by Owner. To facilitate collection of the tourism levy from STR operators, online marketplaces will be authorized to collect and remit the tourism levy to the government on their behalf.

### **4. Excise Taxes**

The 2019 budget increased the tobacco tax effective at 12:01 a.m. on October 25, 2019 as follows: tobacco tax on a carton of 200 cigarettes increased from \$50 to \$55 per carton; tobacco tax on loose tobacco increased from 37.50 cents to 41.25 cents per gram; and tobacco tax on cigars increased from 129 percent to 142 percent of the taxable price of the cigar, with the minimum and maximum tax per cigar increased to 27.5 cents and \$8.61, respectively.

The 2019 budget indicates that the government is exploring approaches to implement a tax on vaping products, with more details promised in the 2020 budget.

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

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

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

The total education property tax requisition was frozen for 2019-20. The residential or farmland rate remains at \$2.56 per \$1,000 of equalized assessment, while the non-residential rate will remain at \$3.76 per \$1,000 of equalized assessment.

### **7. Pensions**

No changes were announced.

### **8. Other**

The government has indicated that it will begin issuing payments that support Alberta's film industry through the income tax system beginning in the spring of

2020. The Ministry of Economic Development, Trade and Tourism will be responsible for approvals and will issue certificates to corporations to be included when filing their corporate income tax returns.

The 2019 budget also indicates that the government intends to reconfigure the Canada workers benefit in the future to align the phase-in income levels with the income support earnings exemption threshold of \$2,760 and shift slightly more benefits to single individuals without children.

Alberta's new government repealed the Climate Leadership Act on May 30, 2019, thereby repealing the carbon tax and ending the Alberta climate leadership adjustment rebate. However, the government introduced the Emissions Management and Climate Resilience Act, which provides for technology innovation and emissions reduction (TIER) regulations effective January 1, 2020. The TIER regulations will apply to any facilities that emitted 100,000 tonnes or more of carbon dioxide (CO<sub>2</sub>) equivalent specified greenhouse gases (GHGs) per year in 2016 or a subsequent year. A facility can opt into the TIER regulations if it has less than 100,000 tonnes of CO<sub>2</sub> equivalent specified GHG emissions and competes against a facility regulated under the regulations, or if it has 100,000 tonnes or more of such emissions and is in an emission-intensive, trade-exposed sector. The carbon pricing under the TIER regulations remains unchanged at \$30 per tonne of emissions. The TIER regulations do not apply to consumers. As a result, the federal carbon tax will be imposed on consumers and any facilities not subject to TIER regulations starting on January 1, 2020. Alberta issued a court challenge against the federal carbon tax, and a decision is expected from the Alberta Court of Appeal in 2020.

## SASKATCHEWAN (TABLE 14)

### Tax Highlights

- No changes to corporate income taxes
- Personal income tax rates continue to be frozen at 2018 rates

### Tax Changes

#### 1. Corporate Income Tax

No changes were announced.

#### 2. Personal Income Tax

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. No changes to this freeze were announced in the 2019 budget.

The 2019 budget and Saskatchewan Bill 171 introduced three new non-refundable tax credits for volunteer firefighters, search and rescue volunteers, and volunteer emergency medical first responders who perform at least 200 hours of eligible volunteer services in a year (as certified by the organization managing the volunteer services). These individuals will be able to claim a \$3,000 tax

**TABLE 14 Projected Revenues and Expenditures, Saskatchewan, Fiscal Year 2019-20**

|                                | <i>millions of dollars</i> |
|--------------------------------|----------------------------|
| Total revenues . . . . .       | 15,025                     |
| Total expenditures . . . . .   | (14,991)                   |
| Surplus/(deficit) . . . . .    | <u>34</u>                  |
| Revenue sources . . . . .      |                            |
| Personal income tax . . . . .  | 2,556                      |
| Corporate income tax . . . . . | 729                        |
| Sales tax . . . . .            | 2,305                      |
| Other taxes . . . . .          | <u>1,999</u>               |
| Total tax revenue . . . . .    | 7,589                      |
| Federal transfers . . . . .    | 2,467                      |
| Other revenues . . . . .       | <u>4,969</u>               |
| Total revenues . . . . .       | <u>15,025</u>              |
| Expenditures . . . . .         |                            |
| Education . . . . .            | 3,283                      |
| Health . . . . .               | 5,888                      |
| Debt servicing . . . . .       | 694                        |
| Other expenditures . . . . .   | <u>5,126</u>               |
| Total expenditures . . . . .   | <u>14,991</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 \$1,827 million for fiscal year 2019-20. Debt servicing is for general debt.

Source: Saskatchewan, Ministry of Finance, 2019 Budget, March 20, 2019.

credit starting with the 2020 tax year. Consistent with rules for the federal volunteer firefighter tax credit, individuals who provide any of these services as a regular employee of the organization will not be eligible for the tax credit. Individuals who receive honoraria for their volunteer emergency service duties can claim either the income exemption on the honoraria or the relevant tax credit, but not both. In the event that the taxpayer provides more than one type of volunteer service, only one of the three tax credits may be claimed.

### **3. Sales Tax**

No changes were announced.

### **4. Excise Taxes**

No changes were announced.

### 5. Resource-Related Matters

As of April 1, 2019, the Saskatchewan resource credit was eliminated for potash production, and Crown and freehold royalties will no longer be deductible in determining the base payment of potash production tax or the profit tax. This measure is intended to simplify the potash production tax calculation.

See the discussion regarding the carbon tax in the “Other” section below.

### 6. Real Estate Taxes

No changes were announced.

### 7. Pensions

No changes were announced.

### 8. Other

Since Saskatchewan has not implemented a provincial carbon tax, the federal carbon tax was imposed on Saskatchewan residents effective April 1, 2019. The government announced that it does not intend to apply Saskatchewan’s PST on top of the federal carbon tax.<sup>14</sup>

Saskatchewan launched a judicial challenge against the federal carbon tax. In May 2019, the Saskatchewan Court of Appeal ruled that the federal government has the constitutional power to implement a carbon tax in the province. Saskatchewan has appealed this decision to the Supreme Court of Canada, and the case is expected to be heard in the spring of 2020.

## MANITOBA (TABLE 15)

### Tax Highlights

- Reduction in provincial sales tax
- Extension of business tax credits

### Tax Changes

#### 1. Corporate Income Tax

The small business deduction threshold was increased from \$450,000 to \$500,000 effective January 1, 2019 as announced in the 2018 budget. The small business provincial rate is 0 percent for active business income up to the threshold.

In connection with the reduction in the PST, discussed below, the refundable portion of the manufacturing investment tax credit (MITC) is reduced from 8 percent to 7 percent for qualifying property acquired after June 30, 2019. Accordingly, the MITC is now an 8 percent tax credit, of which 7 percent is the refundable portion and 1 percent is the non-refundable portion.

14 Saskatchewan, “Provincial Sales Tax Will Not Be Applied to Federal Carbon Tax,” April 1, 2019 ([www.saskatchewan.ca/government/news-and-media/2019/april/01/carbon-tax](http://www.saskatchewan.ca/government/news-and-media/2019/april/01/carbon-tax)).

**TABLE 15 Projected Revenues and Expenditures, Manitoba, Fiscal Year 2019-20**

|                                     | <i>millions of dollars</i> |
|-------------------------------------|----------------------------|
| Total revenues . . . . .            | 17,025                     |
| Total expenditures . . . . .        | (17,480)                   |
| In-year adjustments/lapse . . . . . | (95)                       |
| Surplus/(deficit) . . . . .         | <u>(360)</u>               |
| <b>Revenue sources</b>              |                            |
| Personal income tax . . . . .       | 3,744                      |
| Corporate income tax . . . . .      | 506                        |
| Sales tax . . . . .                 | 2,293                      |
| Other taxes . . . . .               | 1,379                      |
| Total tax revenue . . . . .         | 7,922                      |
| Federal transfers . . . . .         | 4,815                      |
| Other revenues . . . . .            | 4,288                      |
| Total revenues . . . . .            | <u>17,025</u>              |
| <b>Expenditures</b>                 |                            |
| Education . . . . .                 | 4,560                      |
| Health . . . . .                    | 6,651                      |
| Debt servicing . . . . .            | 1,088                      |
| Other expenditures . . . . .        | 5,181                      |
| Total expenditures . . . . .        | <u>17,480</u>              |

Notes: The summary budget's government reporting entity included core government, Crown corporations, government business entities, and public sector organizations. The amount indicated as the health expenditure is for health, seniors, and active living expenditures. In-year adjustments/lapse may represent an increase in revenue and/or a decrease in expenditures.

Source: Manitoba, Department of Finance, 2019 Budget, March 7, 2019.

The 2019 budget also extended several business tax credits. The film and video production tax credit, which was scheduled to expire on December 31, 2019, is now permanent with no fixed expiry date. The small business venture capital tax credit, which was scheduled to expire on December 31, 2019, was extended for three years, to December 31, 2022. The cultural industries printing tax credit, which was scheduled to expire on December 31, 2019, was extended by one year, to December 31, 2020, and the annual maximum tax credit was capped at \$1.1 million per taxpayer. The book publishing tax credit, which was scheduled to expire on December 31, 2019, was extended for five years, to December 31, 2024.

## **2. Personal Income Tax**

Pursuant to the 2016 budget, the personal income tax brackets and basic personal amount were indexed to inflation starting in 2017. The 2019 budget confirms that indexation will continue in 2019 at a rate of 2.6 percent, and shows a forecasted indexation factor of 1.9 percent for 2020.

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. However,

this measure was not implemented, and the basic personal amount only increased by the 2019 indexation factor of 2.6 percent, to \$9,626 for 2019.

The 2019 budget indicates that Manitoba intends to table amendments that will parallel the federal tax on split income (TOSI) rules, including rules related to various non-refundable tax credits. However, the government does not intend to harmonize the TOSI rules as they relate to various provincial refundable tax credits that would otherwise be affected.

The 2019 budget included minor changes to various personal tax credits. First, the provisions for the paid work experience tax credit are being updated to reflect current legislative requirements. Second, the primary caregiver tax credit provisions are being amended to align the registration due date with the personal income tax filing due date. As a result, the registration due date will move from the calendar year-end (December 31) to April 30 of the following year. Third, the implementation of regulatory amendments relating to the small business venture capital tax credit has extended the share issuance registration period from 6 months to 12 months.

### **3. Sales Taxes**

The 2019 budget provided for a 1 percent reduction in the PST from 8 percent to 7 percent effective July 1, 2019. Accordingly, the reduced PST rate charged on electricity used in manufacturing, mining, and processing operations in Manitoba will also decrease from 1.6 percent to 1.4 percent effective July 1, 2019.

The 2019 budget announced that the PST will not be applicable to the federal carbon tax that began on April 1, 2019.

The 2019 budget also announced new administrative requirements for the payment of PST. Starting in 2020, larger businesses remitting or paying PST of \$5,000 or more per month will be required to file, remit, and pay the tax electronically. Also, commissions will not be paid to any business filing monthly PST returns.

### **4. Excise Taxes**

No changes were announced.

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

The 2019 budget announced that the fuel tax exemption for the forestry industry would be expanded to include mill site equipment used for log handling and processing, effective June 1, 2019.

See the discussion regarding the carbon tax in the “Other” section below.

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

No changes were announced.

### **7. Pensions**

No changes were announced.

## 8. Other

The 2019 budget provided for new administrative requirements for businesses that are subject to fuel tax, tobacco tax, and the health and post-secondary education tax levy. Starting in 2020, any businesses subject to these taxes will be required to file, remit, and pay the tax electronically.

The 2019 budget also indicated that enforcement and administration measures for taxes are to be enhanced under the Tax Administration and Miscellaneous Taxes Act.

Manitoba had planned to implement a carbon tax, to be effective September 1, 2018, applied at a rate of \$25 per tonne of GHG emissions to gas, liquid, and solid fuel products intended for combustion in Manitoba. However, the Manitoba government withdrew this plan unexpectedly on October 3, 2018 and announced that it would no longer willingly impose the previously announced carbon tax on its residents.

Since Manitoba did not implement a provincial carbon tax, the federal carbon tax was imposed on Manitoba residents effective April 1, 2019.

In early 2019, Manitoba launched a judicial challenge against the federal carbon tax, and a decision is still pending.

## ONTARIO (TABLE 16)

### Tax Highlights

- Small business rate to be reduced by 0.3 percentage points in 2020
- No changes to personal income tax rates and brackets; new credits introduced

## Tax Changes

### 1. Corporate Income Tax

The 2019 budget contained very few changes to corporate income tax. As promised in the 2018 fall economic outlook and fiscal review, the 2019 budget introduced the Ontario job creation investment incentive, which parallels the immediate writeoff measures and the accelerated investment incentive originally announced in the federal government's 2018 fall economic statement.<sup>15</sup> The Ontario job creation investment incentive will apply for eligible depreciable property acquired after November 20, 2018 and available for use before 2028.

The 2019 budget also announced changes to the Ontario interactive digital media tax credit for digital game corporations. Previously, to qualify as a specialized digital game corporation, and thus qualify for the tax credit, the company must have spent at least \$1 million in its taxation year on Ontario labour relating to eligible digital games. The 2019 budget reduces this minimum Ontario labour expenditure to \$500,000 effective for taxation years commencing after April 11, 2019.

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15 Supra note 12.



**TABLE 16 Projected Revenues and Expenditures, Ontario, Fiscal Year 2019-20**

|                                | April 2019                 | November 2019  |
|--------------------------------|----------------------------|----------------|
|                                | <i>millions of dollars</i> |                |
| Total revenues . . . . .       | 154,165                    | 155,761        |
| Total expenditures . . . . .   | (163,444)                  | (163,785)      |
| Reserve . . . . .              | (1,000)                    | (1,000)        |
| Surplus/(deficit) . . . . .    | <u>(10,279)</u>            | <u>(9,024)</u> |
| Revenue sources                |                            |                |
| Personal income tax . . . . .  | 36,600                     | 37,125         |
| Corporate income tax . . . . . | 15,171                     | 16,107         |
| Sales tax . . . . .            | 28,076                     | 28,067         |
| Other taxes . . . . .          | 26,291                     | 26,445         |
| Total tax revenue . . . . .    | 106,138                    | 107,744        |
| Federal transfers . . . . .    | 25,453                     | 25,453         |
| Other revenues . . . . .       | 22,574                     | 22,564         |
| Total revenues . . . . .       | <u>154,165</u>             | <u>155,761</u> |
| Expenditures                   |                            |                |
| Education . . . . .            | 31,550                     | 31,702         |
| Health . . . . .               | 63,511                     | 63,831         |
| Debt servicing . . . . .       | 13,335                     | 12,905         |
| Other expenditures . . . . .   | 55,048                     | 55,347         |
| Total expenditures . . . . .   | <u>163,444</u>             | <u>163,785</u> |

Notes: The figures included those for government business enterprises. Expenditures were shown by ministry. Debt servicing is net of interest capitalized during construction of tangible capital assets of \$489 million and \$475 million for fiscal year 2019-20, as presented in the 2019 Budget and the 2019 Fall Economic Outlook and Fiscal Review, respectively.

Sources: Ontario, Ministry of Finance, 2019 Budget, April 11, 2019, and 2019 Fall Economic Outlook and Fiscal Review, November 6, 2019.

The government acknowledged that there is a substantial backlog in the certification of applications for cultural media tax credits (which include the Ontario film and television tax credit, the Ontario production services tax credit, the Ontario computer animation and special effects tax credit, the Ontario interactive digital media tax credit, and the Ontario book publishing tax credit), such that the processing of some applications can take 19 months or longer. The government has agreed to undertake a review of the cultural media tax credit certification process in order to streamline administration; however, no further information about specific measures was provided in either the 2019 budget or the subsequent fall economic outlook and fiscal review.

In November 2019, the fall economic outlook and fiscal review announced that the small business tax rate will be reduced from 3.5 percent to 3.2 percent effective January 1, 2020. This rate reduction was unexpected.

## **2. Personal Income Tax**

The 2019 budget contained few changes to personal income taxes in the province. The low-income individuals and families tax credit (“the LIFT credit”) that was initially announced in the 2018 fall economic outlook and fiscal review was implemented effective January 1, 2019. The LIFT credit is a non-refundable tax credit to eliminate or reduce the provincial income tax for low-income taxpayers with employment income. 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 Ontario personal income tax payable for the tax year, excluding the Ontario health premium. The taxpayer must be a Canadian resident at the beginning of the tax year and an Ontario resident at year-end, and must not have spent more than six months in prison during the year.

The 2019 budget announced a new refundable Ontario “child-care access and relief from expenses” tax credit (“the CARE credit”) effective for the 2019 and subsequent tax years. The CARE credit will be based on a taxpayer’s family income and eligible child-care expenses (both of which are defined to be the amounts used in determining the taxpayer’s child-care deduction). The credit is calculated as a percentage of the taxpayer’s eligible child-care expenses, the rate of which depends on the taxpayer’s family income, as shown in table 17. For the 2019 and 2020 tax years, families will claim the CARE credit on their tax returns. Starting in 2021, the government intends to provide families with the choice of either applying for regular advance payments throughout the year or receiving a single payment when filing their tax returns.

The government’s 2018 fall economic outlook and fiscal review had promised to adjust the non-eligible dividend tax credit calculation to maintain the applicable rate at 3.2863 percent. However, given the reduction in the small business tax rate provided for in the 2019 fall economic outlook and fiscal review, a reduction in the non-eligible dividend tax credit was also announced in order to preserve tax integration. Effective January 1, 2020, the non-eligible dividend tax credit will be reduced from 3.2863 percent to 2.9863 percent.

## **3. Sales Tax**

No changes were announced.

## **4. Excise Taxes**

The 2019 budget announced that the government was introducing legislation to pause the previous government’s changes to the wine tax. The 2016 budget had previously provided for a 1 percentage point increase, to take effect on April 1, 2019, applicable to the ad valorem markup for wine products sold at Liquor Control Board of Ontario outlets and non-Ontario wine purchased at winery retail stores. The 2019 fall economic outlook and fiscal review indicates that the government is

**TABLE 17 Ontario Child-Care Access and Relief from Expenses (CARE) Credit Calculation**

| Family income                        | Rate calculation  |
|--------------------------------------|---|
| \$0 to \$20,000 . . . . .            | 75%   |
| Over \$20,000 to \$40,000 . . . . .  | 75% minus 2 percentage points for each \$2,500 or part thereof above \$20,000 |
| Over \$40,000 to \$60,000 . . . . .  | 59% minus 2 percentage points for each \$5,000 or part thereof above \$40,000 |
| Over \$60,000 to \$150,000 . . . . . | 51% minus 2 percentage points for each \$3,600 or part thereof above \$60,000 |
| Over \$150,000 . . . . .             | 0%  |

Source: Ontario, Ministry of Finance, 2019 Budget, April 11, 2019, at 330.

committed to reviewing the tax regime for beverage alcohol and will be proposing legislation to pause upcoming wine tax increases and beer tax increases as the review continues.

As announced in the 2018 budget, the 2019 budget amends the raw-leaf tobacco provisions in the Tobacco Tax Act, which establish penalties and offences relating to the use of new track and trace bale markers issued by the Ministry of Finance and to failure to notify the Ministry of Finance of the destruction of raw-leaf tobacco. Amendments also remove “baling and packaging” from the definition of “producing” tobacco and require any raw-leaf tobacco certificate to permit “baling and packaging.”

The 2019 fall economic outlook and fiscal review also indicates that the government remains committed to moving to an open allocation of cannabis retail store licences where the number of stores is limited only by market demand. In connection with this move, the government is proposing to introduce amendments to the legislation that will facilitate the establishment of retail stores by licensed producers related to their production sites and allow authorized retail stores to sell cannabis products online or over the telephone for pickup by the consumer in-store.

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

The 2019 budget provides a reminder that relief from taxes under the Electricity Act, due to expire at the end of 2018, was extended by the 2018 fall economic outlook and fiscal review to 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.

The 2019 fall economic outlook and fiscal review announced a reduction to the aviation fuel tax rate in northern Ontario from 6.7 cents per litre to 2.7 cents per

litre, effective January 1, 2020. The geographic area eligible for this reduction is defined as the districts of Algoma, Cochrane, Kenora, Manitoulin, Nipissing, Parry Sound, Rainy River, Sudbury, Thunder Bay, and Timiskaming.

The 2019 fall economic outlook and fiscal review proposed an amendment to the Gasoline Tax Act to make the timeline for calculating interest on refunds under the Gasoline Tax Act consistent with that in the Fuel Tax Act. Accordingly, interest on refunds under the Gasoline Tax Act will be calculated from the date of the refund application to the date of issuance of the refund payment.

The previous Ontario government proposed in the 2018 budget 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 proposal would substitute a certificate of Indian status or secure certificate of Indian status card from individuals; band councils would use an identifier issued by the government. This initiative was not included in the new government's 2018 fall economic outlook and fiscal review or in the 2019 budget; however, on May 23, 2019, the government announced that the initiative would proceed effective January 1, 2020.<sup>16</sup> As a result, the Ontario gas card has been discontinued, and First Nation individuals can use their federally issued Indian status card as proof of entitlement to buy tax-exempt gas on reserves from 2020 onward.

See the discussion regarding the carbon tax in the "Other" section below.

## **6. Real Estate Taxes**

No changes were announced. However, the 2019 budget indicated that the government is developing an action plan and conducting a review to explore opportunities to enhance the accuracy and stability of property assessments, support a competitive business environment, provide relief to residents, and strengthen the governance and accountability of the Municipal Property Assessment Corporation. The 2019 fall economic outlook and fiscal review reiterates that the government will be seeking input over the coming months for this review.

## **7. Pensions**

The 2019 budget announced forthcoming amendments to the Pension Benefits Act that will clarify the operation of the rules regarding contribution holidays.

## **8. Other**

In late 2018, the government passed Bill 4, Cap and Trade Cancellation Act, 2018, which ended the former government's cap-and-trade carbon tax. Since Ontario

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16 Ontario, Ministry of Finance, "Making It Easier for First Nation People To Buy Tax-Exempt Gas," *Bulletin*, May 23, 2019 ([news.ontario.ca/mof/en/2019/05/making-it-easier-for-first-nation-people-to-buy-tax-exempt-gas.html](https://news.ontario.ca/mof/en/2019/05/making-it-easier-for-first-nation-people-to-buy-tax-exempt-gas.html)).

did not implement a provincial carbon tax, the federal carbon tax was imposed on Ontario residents effective April 1, 2019. A constitutional challenge was filed by the province and was heard by the Ontario Court of Appeal in April 2019. In June, the Ontario Court of Appeal announced a majority decision that the federal carbon tax is constitutional. In late 2019, the government appealed the decision to the Supreme Court of Canada.

The 2018 fall economic outlook and fiscal review indicated that the government was taking steps to review provincial agencies to ensure that they are relevant, efficient, and effective, and are providing value for money for taxpayers. The 2019 budget announced that the Agency Review Task Force has reviewed more than 60 of the province's 190 agencies and has recommended the dissolution of the following 10: the Building Code Conservation Advisory Council, the Criminal Injuries Compensation Board, the Curriculum Council, the Forensic Advisory Committee, the Livestock Medicines Advisory Committee, the Local Planning Appeal Support Centre, the Ontario Honours Advisory Council, the Ontario Investment and Trade Advisory Council, the Ontario Immigrant Investor Corporation, and the Ontario Mortgage and Housing Corporation.

Public consultation began in September 2018 on reform of the education system. The 2019 budget announced proposed changes to class sizes in Ontario's publicly funded schools. Class sizes would remain the same from kindergarten to grade 3; however, for older students, class sizes would increase, subject to consultation with education stakeholders that would close at the end of May 2019. The government proposed to increase the average class size from 23.5 to 24.5 for students in grades 4 to 8 and from 22 to 28 for students in grades 9 to 12. In August 2019, the government announced that after consultations, the proposed increase for students in grades 9 to 12 would be reduced to an average class size of 22.5.<sup>17</sup> The government maintained the proposed increase for students in grades 4 to 8, to an average class size of 24.5. As part of the education reform, the government also announced in November 2019 that Ontario students will be required to take two online credits to graduate from secondary school effective for the 2023-24 cohort.<sup>18</sup>

The 2019 budget also contained an unexpected reduction in the Ontario estate administration tax. This tax is charged on the value of an estate when an estate certificate is issued. Prior to the change, no estate administration tax was payable if the value of the estate was \$1,000 or less; for all other estates, the tax was charged at a rate of \$5 per \$1,000 (or part thereof) on the first \$50,000 of the value of the estate and a rate of \$15 per \$1,000 (or part thereof) on the value of the estate

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17 Ontario, Ministry of Education, "Ontario Providing Stability for Students and Families," *News Release*, August 22, 2019 ([news.ontario.ca/edu/en/2019/08/ontario-providing-stability-for-students-and-families.html](https://news.ontario.ca/edu/en/2019/08/ontario-providing-stability-for-students-and-families.html)).

18 Ontario, Ministry of Education, "Ontario Brings Learning into the Digital Age," *News Release*, November 21, 2019 ([news.ontario.ca/edu/en/2019/11/ontario-brings-learning-into-the-digital-age.html](https://news.ontario.ca/edu/en/2019/11/ontario-brings-learning-into-the-digital-age.html)).

exceeding \$50,000. The 2019 budget eliminates the estate administration tax on the first \$50,000 of the value of the estate for estate certificate applications made on or after January 1, 2020. The 2019 budget also proposed some administrative changes with respect to the estate administration tax information return to reduce the compliance burden. The deadline for filing the information return with the Ministry of Finance will be extended from 90 days to 180 days; and the deadline for filing an amended information return, when required, will be extended from 30 days to 60 days. These administrative changes are also to take effect on January 1, 2020.

The 2019 budget also indicates that the government is exploring options to provide further estate administration tax relief, including additional tax relief in respect of charitable donations, but does not include any detailed proposed changes. The 2019 fall economic outlook and fiscal review does not specifically refer to this initiative.

The 2019 budget discloses that the Ontario government has created a specialized unit of tax experts who are working with federal and provincial tax officials to find and address tax loopholes and abuse.

The 2019 fall economic outlook and fiscal review provides insight with respect to changes in the funding of post-secondary education in the province. Strategic mandate agreements (SMAs) are negotiated between the Ministry of Colleges and Universities and Ontario's publicly assisted colleges and universities. Under current SMAs, only a small portion of public funding has been linked to performance: 1.2 percent for colleges and 1.4 percent for universities. The government is proposing to move to an outcomes-based funding model whereby 60 percent of operating funding will be tied to performance by the 2024-25 academic year.

The 2019 fall economic outlook and fiscal review included two new health-care initiatives in Ontario. Starting in the fall of 2019, the government intends to assist low-income seniors in accessing dental care. Seniors in Ontario aged 65 or older with an income of \$19,300 or less and senior couples with a combined annual income of \$32,300 or less who do not have dental benefits will qualify for a publicly funded dental-care program. The government also proposes to eliminate the co-payment of \$2 per prescription for residents of long-term-care homes.

## QUEBEC (TABLE 18)

### Tax Highlights

- New credits for businesses and individuals to encourage experienced workers to remain in the workforce longer
- Additional contribution for child care to be gradually eliminated

### Tax Changes

#### 1. Corporate Income Tax

The 2019 budget introduced a refundable tax credit for a small or medium-sized business to foster the retention of experienced workers. This tax credit will be

granted to qualified corporations that employ individuals aged 60 or over and have a total payroll of \$1 million or less for any taxation year that ends after December 31, 2018. The amount and rate of the credit will vary depending on the employee's age and the corporation's total payroll. For an employee aged 60 to 64, the tax credit will be calculated at a rate of up to 50 percent for a maximum amount of \$1,250 annually. For an employee aged 65 or older, the tax credit will be calculated at a rate of up to 75 percent for a maximum amount of \$1,875 annually. A qualified corporation for a taxation year is a corporation (other than an excluded corporation) that has a permanent establishment in Quebec, carries on a business with paid-up capital of less than \$15 million for the year, and (unless the corporation is a primary and manufacturing sector corporation) has total remunerated hours for the year in excess of 5,000 hours.

A corporation that carries out a large investment project in Quebec may claim a tax holiday in respect of the income from its eligible activities relating to the project and a holiday from employer contributions to the health services fund with respect to the portion of wages paid to its employees that is attributable to the time devoted to such activities. The tax holiday lasts 15 years. The 2019 budget proposes to reduce the capital investment threshold for a large investment project carried out in a designated region from \$75 million to \$50 million. The designated regions are the administrative regions of Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie-Îles-de-la-Madeleine, Nord-du-Québec, and Saguenay-Lac-Saint-Jean; the regional county municipalities of Le Granit, Le Haut-Saint-François, Mékinac, Pontiac, La Vallée-de-la-Gatineau, Antoine-Labelle, and Charlevoix-Est; and the urban agglomeration of La Tuque.

The 2019 budget also proposes a change to the computation of eligible expenses for the purposes of the refundable tax credit for the reporting of tips. To take into account changes made to Quebec's Act Respecting Labour Standards, the tax legislation will be amended to provide that the eligible expenses for the refundable tax credit for the reporting of tips will include the portion of the indemnities for days of leave to fulfill family obligations or days of leave for health reasons that is attributable to tips and that was paid in the taxation year or fiscal period. This amendment will apply to indemnities for days of leave to fulfill family obligations or for days of leave for health reasons paid after December 31, 2018.

The 2019 budget eases the penalty for failure to attribute an amount as tips. To standardize the special penalty for attribution of tips with other existing penalties, the Tax Administration Act will be amended so that this special penalty is calculated on the basis of the amounts payable or remittable under tax law, and not based on the amount of the tips not attributed. The Tax Administration Act will also be amended to provide that a person cannot incur both the penalty for false statements or omissions and the penalty related to the attribution of tips for the same omission. These amendments will apply for any penalties imposed after March 21, 2019.

The 2019 budget announced that Quebec will harmonize its legislation with certain measures announced in the 2018 federal fall economic statement to provide for an accelerated deduction for Canadian development expenses and Canadian oil

**TABLE 18 Projected Revenues and Expenditures, Quebec, Fiscal Year 2019-20**

|                                | <i>millions of dollars</i> |
|--------------------------------|----------------------------|
| Total revenues . . . . .       | 115,638                    |
| Total expenditures . . . . .   | (113,034)                  |
| Contingency reserve . . . . .  | (100)                      |
| Surplus/(deficit) . . . . .    | <u>2,504</u>               |
| Revenue sources                |                            |
| Personal income tax . . . . .  | 32,498                     |
| Corporate income tax . . . . . | 8,516                      |
| Sales tax . . . . .            | 21,864                     |
| Other taxes . . . . .          | 8,149                      |
| Total tax revenue . . . . .    | 71,027                     |
| Federal transfers . . . . .    | 24,924                     |
| Other revenues . . . . .       | 19,687                     |
| Total revenues . . . . .       | <u>115,638</u>             |
| Expenditures                   |                            |
| Education . . . . .            | 24,436                     |
| Health . . . . .               | 45,433                     |
| Debt servicing . . . . .       | 8,996                      |
| Other expenditures . . . . .   | 34,169                     |
| Total expenditures . . . . .   | <u>113,034</u>             |

Notes: The figures were presented on a consolidated basis, showing general fund plus consolidated entities. The figures shown for expenditures were by department, except for debt servicing.

Source: Quebec, Department of Finance and the Economy, 2019 Budget, Budget Plan, March 21, 2019.

and gas property expenses.<sup>19</sup> The extension of the mineral exploration tax credit announced in the federal economic statement will not be included because the Quebec tax system does not have a similar provision. The amendments to the Quebec tax legislation will be adopted following royal assent to a federal statute implementing the federal government's legislative proposals and will be applicable on the same dates as the application dates of the corresponding federal legislation.

## 2. Personal Income Tax

The 2019 budget announced that the tax credit for experienced workers will be re-named the tax credit for career extension effective for the 2019 taxation year onward. To encourage more workers to remain longer in, or to re-enter, the workforce, the age of eligibility for the tax credit will be lowered from 61 to 60 years. For workers aged 60 to 64, the maximum amount of eligible work income on which the tax credit will be calculated is raised to \$10,000. There is no change to the tax credit for

<sup>19</sup> Supra note 12.



workers aged 65 or over—the maximum amount of eligible work income on which the tax credit will be calculated remains at \$11,000.

The 2019 budget also announced that the additional contribution for child care will be eliminated gradually over four years. Prior to the change, Quebec taxpayers had to make an additional contribution for child care if their family income exceeded a specified threshold (\$52,220 in 2019). The additional contribution is income-tested; in 2019, it varied between \$0.70 per day and \$13.90 per day when family income exceeded \$166,320. The 2019 budget proposes to eliminate the additional contribution for families with an income below \$78,320. Families with an income exceeding \$78,320 will pay a lower contribution up to a maximum additional contribution of \$13.20 per day. Furthermore, in 2020, families with an income below \$108,530 (an estimated amount based on forecasts for indexation and subject to change) will not be subject to the additional contribution, and the maximum additional contribution will be reduced to \$8.80 per day. In 2021, families with an income below \$140,065 (again, an estimated amount based on forecasts for indexation and subject to change) will not be subject to the contribution, and the maximum additional contribution will be reduced to \$4.40 per day. The additional contribution for child care is expected to be eliminated fully by the 2022 tax year.

See the comments in the “Corporate Income Tax” section above related to the accelerated deduction for Canadian development expenses and Canadian oil and gas property expenses, which may also apply to individuals.

### **3. Sales Tax**

No changes were announced.

### **4. Excise Taxes**

No changes were announced.

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

The 2019 budget introduced a sustainable development certification allowance in the Mining Tax Act. The 2019 budget proposes to amend the Mining Tax Act to allow an operator to deduct, in the calculation of its annual profit for a fiscal year, an amount on account of the sustainable development certification allowance, which may not exceed, for the fiscal year, the amount corresponding to the operator’s cumulative sustainable development certification expenses at the end of the fiscal year. Changes will also be made to the refundable duties credit for an operator that sustains an annual loss to take into account the sustainable development certification allowance. These changes will apply to any fiscal year of an operator ending after March 21, 2019.

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

The 2019 budget indicated that the school tax system would be reformed to gradually establish a single tax rate applicable across the entire province of Quebec over

three years. The single rate will be based on the lowest effective rate in 2018-19 and is intended to eliminate regional disparities under the current system. To compensate the school boards for the reduction in their school tax revenues, the government will transfer \$200 million in 2019-20. The government will determine the transfer amount for the subsequent years during each budget exercise.

The 2019 budget proposes changes to be made to the tax on lodging system to require any person operating a digital accommodation platform to register with Revenu Québec for the purposes of collecting and remitting the 3.5 percent tax on lodging on the price of every overnight stay. Previously, registration was voluntary. This change will apply as of January 1, 2020.

### **7. Pensions**

No changes were announced.

### **8. Other**

The 2019 budget announced new initiatives and measures to counter tax evasion and abusive tax avoidance.

Since 2009, a mandatory disclosure mechanism has been in place for transactions that result in a tax benefit or have an appreciable impact on a taxpayer's income. This disclosure mechanism applies to any transaction involving conditional remuneration or contractual coverage. The government announced that it intends to amend the tax legislation to strengthen this disclosure mechanism and improve the rules governing the use of nominee contracts.

Legislative amendments will be made so that businesses on which a penalty has been imposed for abusive tax avoidance, as well as the promoters of the transactions in question on whom a penalty has been imposed on the same basis, will be listed in the register of enterprises ineligible for public contracts (commonly known as "RENA"). The penalty will be considered when deciding whether the Autorité des marchés publics will allow a business to enter into contract with a public body or not.

Since 2010, any business that wishes to enter into certain public contracts must have an attestation de Revenu Québec. The 2019 budget proposes extending the requirement to have an attestation de Revenu Québec to public-building cleaning contracts valued at \$10,000 or more.

The government has recognized that there is inconsistency in the information that securities dealers and brokers are providing to investors, which causes problems with tax compliance. The 2019 budget indicates that Revenu Québec will establish, in cooperation with the sector, a new tax slip that will make it easier to report financial market transactions.

**NEW BRUNSWICK (TABLE 19)****Tax Highlights**

- No changes to corporate or personal income tax rates
- Reintroduction of the tuition tax credit

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

The 2019 budget indicates that the government does not intend to parallel the 2018 federal budget with respect to a reduction on the business limit for the small business deduction when a corporation earns passive investment income.

**2. Personal Income Tax**

The 2019 budget proposes the reintroduction of the New Brunswick tuition tax credit for 2020 and subsequent tax years, which was eliminated by the former government to parallel federal tax changes announced in 2016.

**3. Sales Tax**

No changes were announced.

**4. Excise Taxes**

No changes were announced.

**5. Resource-Related Matters**

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

**6. Real Estate Taxes**

No changes were announced.

**7. Pensions**

No changes were announced.

**8. Other**

In 2018, New Brunswick was consulting to develop its own carbon-pricing policy to address federal government requirements. However, since the province failed to implement a provincial carbon tax by the federal deadline, the federal carbon tax was imposed on NB residents effective April 1, 2019. Initially, the province had opposed the federal carbon tax, and the government had announced that it would continue to be part of the judicial process challenging the constitutionality of the

**TABLE 19 Projected Revenues and Expenditures, New Brunswick, Fiscal Year 2019-20**

|                                | <i>millions of dollars</i> |
|--------------------------------|----------------------------|
| Total revenues . . . . .       | 9,846                      |
| Total expenditures . . . . .   | (9,823)                    |
| Contingency reserve . . . . .  | <u>nil</u>                 |
| Surplus/(deficit) . . . . .    | <u>23</u>                  |
| Revenue sources                |                            |
| Personal income tax . . . . .  | 1,773                      |
| Corporate income tax . . . . . | 381                        |
| Sales tax . . . . .            | 1,539                      |
| Other taxes . . . . .          | 1,098                      |
| Total tax revenue . . . . .    | 4,791                      |
| Federal transfers . . . . .    | 3,485                      |
| Other revenues . . . . .       | 1,570                      |
| Total revenues . . . . .       | <u>9,846</u>               |
| Expenditures                   |                            |
| Education . . . . .            | 1,341                      |
| Health . . . . .               | 2,828                      |
| Debt servicing . . . . .       | 677                        |
| Other expenditures . . . . .   | 4,977                      |
| Total expenditures . . . . .   | <u>9,823</u>               |

Notes: Figures were shown on a main estimates basis. About \$326 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.

Source: New Brunswick, Department of Finance, 2019 Budget, Budget Plan, March 19, 2019.

federal carbon tax.<sup>20</sup> However, after the Liberal win in the October 2019 federal general election, the province resumed negotiations with the federal government seeking approval of a provincial carbon tax plan. The federal government accepted New Brunswick's carbon tax plan on December 11, 2019.<sup>21</sup> On December 12, 2019, the provincial government introduced amendments to the Gasoline and Motive Fuel Tax Act to implement the NB carbon tax effective April 1, 2020.<sup>22</sup> It has promised to provide more details about the provincial carbon tax plan in 2020.

20 New Brunswick, Office of the Premier, "Premier's Statement on Today's Decision by the Saskatchewan Court of Appeal," *News Release*, May 3, 2019 ([www2.gnb.ca/content/gnb/en/news/news\\_release.2019.05.0282.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2019.05.0282.html)).

21 New Brunswick, Ministry of Environment and Local Government, "Federal Government Has Accepted the Provincial Carbon Tax Plan for Fuels," *News Release*, December 11, 2019 ([www2.gnb.ca/content/gnb/en/news/news\\_release.2019.12.0668.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2019.12.0668.html)).

22 New Brunswick, Ministry of Finance and Treasury Board, "Next Step Taken To Introduce a Made-in-New Brunswick Carbon Tax," *News Release*, December 12, 2019 ([www2.gnb.ca/content/gnb/en/news/news\\_release.2019.12.0671.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2019.12.0671.html)).

**NOVA SCOTIA (TABLE 20)****Tax Highlights**

- No changes to corporate or personal income tax rates
- New tax credits for corporate and individual investors

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

The 2019 budget extends the innovation equity tax credit to corporations effective April 1, 2019. Corporations will be eligible for a 15 percent non-refundable tax credit to a maximum investment of \$500,000. The tax credit was initially available only to individual investors and is discussed in the “Personal Income Tax” section below.

The 2019 budget also proposes a new venture capital tax credit available to both individual and corporate investors that invest in a venture capital corporation or fund. The venture capital tax credit is a 15 percent non-refundable tax credit on qualifying investments available for investments made after March 31, 2019 and before April 1, 2024.

**2. Personal Income Tax**

As announced in the 2018 budget, the innovation equity tax credit was introduced to encourage individual investors to make equity capital investments to support young, growing, and innovative businesses. This non-refundable tax credit for individuals came into effect on January 1, 2019. The maximum investment limit for individuals is \$250,000. The tax credit rate is 45 percent for investments in corporations in eligible classifications within the oceans technology and life sciences sectors and 35 percent for all other approved corporations. Eligible investments now include common shares, preferred shares, and convertible debentures. Investors must hold the eligible investment for a minimum of four years to avoid repayment of the tax credit.

The innovation equity tax credit above was meant to replace the previous equity tax credit. Accordingly, the 2019 budget also phased out the equity tax credit as of December 31, 2019.

The venture capital tax credit, discussed in the “Corporate Income Tax” section above, also applies to individuals.

**3. Sales Tax**

No changes were announced.

**4. Excise Taxes**

No changes were announced.

**TABLE 20 Projected Revenues and Expenditures, Nova Scotia, Fiscal Year 2019-20**

|   | <i>millions of dollars</i> |
|---|----------------------------|
| Total revenues . . . . .                        | 11,011                     |
| Total expenditures . . . . .                    | (11,144)                   |
| Reserve and consolidating adjustments . . . . . | 167                        |
| Surplus/(deficit) . . . . .                     | <u>34</u>                  |
| Revenue sources                                 |                            |
| Personal income tax . . . . .                   | 2,811                      |
| Corporate income tax . . . . .                  | 605                        |
| Sales tax . . . . .                             | 1,896                      |
| Other taxes . . . . .                           | <u>659</u>                 |
| Total tax revenue . . . . .                     | 5,971                      |
| Federal transfers . . . . .                     | 3,456                      |
| Other revenues . . . . .                        | <u>1,584</u>               |
| Total revenues . . . . .                        | <u>11,011</u>              |
| Expenditures                                    |                            |
| Education . . . . .                             | 1,429                      |
| Health . . . . .                                | 4,639                      |
| Debt servicing . . . . .                        | 856                        |
| Other expenditures . . . . .                    | <u>4,220</u>               |
| Total expenditures . . . . .                    | <u>11,144</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, 2019 Budget, Budget Plan, March 26, 2019.

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

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

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

No changes were announced.

### **7. Pensions**

No changes were announced.

### **8. Other**

On January 1, 2019, a cap-and-trade carbon-pricing program came into effect in the province. The program sets annual limits on the total amount of GHG emissions allowed in Prince Edward Island from any mandatory participants (as defined by thresholds established by the provincial government) for 2019 through to 2022. Voluntary participation in the cap-and-trade program is not currently allowed.

**PRINCE EDWARD ISLAND (TABLE 21)****Tax Highlights**

- Small business tax rate reductions continue
- Basic personal tax credit continues to increase

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

Prior to the introduction of the 2019 budget, the government announced tax relief for islanders and island businesses, which was made possible by an unexpected surplus balance. On November 6, 2018, the government announced that the small business corporate tax rate would be reduced from 4.0 percent to 3.5 percent effective January 1, 2019.<sup>23</sup>

The 2019 budget proposes to reduce the small business corporate tax rate by an additional 0.5 percentage points, lowering the tax rate to 3 percent effective January 1, 2020.

**2. Personal Income Tax**

Further to the unexpected reductions in the small business corporate tax rate announced on November 6, 2018 and discussed above, the government also announced an additional increase of \$500 in the basic personal amount (on top of the \$500 increase that was previously announced in the 2018 budget). The revised basic personal amount is \$9,160 and applies retroactively to January 1, 2018. As a result of this announcement, the \$500 increase to the basic personal amount that was to have come into effect on January 1, 2019 will no longer apply. Accordingly, the basic personal amount will remain at \$9,160 for the 2019 tax year.

The 2019 budget proposes to increase the basic personal amount from \$9,160 to \$10,000 for the 2020 tax year. Furthermore, the 2019 budget proposes to increase the tax threshold for the low-income tax reduction from \$17,000 to \$18,000 for the 2020 tax year.

**3. Sales Tax**

No changes were announced.

**4. Excise Taxes**

No changes were announced.

23 Prince Edward Island, Department of Finance, "Additional Tax Relief To Benefit Islanders, Small Businesses," November 6, 2018 ([www.princeedwardisland.ca/en/news/additional-tax-relief-to-benefit-islanders-small-businesses](http://www.princeedwardisland.ca/en/news/additional-tax-relief-to-benefit-islanders-small-businesses)).

**TABLE 21 Projected Revenues and Expenditures, Prince Edward Island, Fiscal Year 2019-20**

|   | <i>millions of dollars</i> |
|---|----------------------------|
| Total revenues . . . . .                        | 2,201                      |
| Total expenditures . . . . .                    | (2,199)                    |
| Reserve and consolidating adjustments . . . . . | nil                        |
| Surplus/(deficit) . . . . .                     | <u>2</u>                   |
| Revenue sources                                 |                            |
| Personal income tax . . . . .                   | 420                        |
| Corporate income tax . . . . .                  | 86                         |
| Sales tax . . . . .                             | 316                        |
| Other taxes . . . . .                           | 253                        |
| Total tax revenue . . . . .                     | 1,075                      |
| Federal transfers . . . . .                     | 860                        |
| Other revenues . . . . .                        | 266                        |
| Total revenues . . . . .                        | <u>2,201</u>               |
| Expenditures                                    |                            |
| Education . . . . .                             | 419                        |
| Health . . . . .                                | 750                        |
| Debt servicing . . . . .                        | 128                        |
| Other expenditures . . . . .                    | 902                        |
| Total expenditures . . . . .                    | <u>2,199</u>               |

Notes: Revenue and expenditure figures were consolidated. Expenditure figures were shown by department.

Source: Prince Edward Island, Department of Finance, 2019 Budget, Budget Plan, June 25, 2019.

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

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

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

No changes were announced.

### **7. Pensions**

No changes were announced.

### **8. Other**

A provincial carbon levy that was approved by the federal government came into effect on April 1, 2019. Accordingly, the federal carbon tax that would otherwise have been imposed on the province in 2019 no longer applied.



In July 2019, the PEI government had applied to be an intervenor in Saskatchewan’s judicial challenge of the federal carbon tax at the Supreme Court of Canada. However, on August 30, 2019, the government withdrew its notice of intervention.

## NEWFOUNDLAND AND LABRADOR (TABLE 22)

### Tax Highlights

- No new tax or fee increases
- Retail sales tax on automobile insurance eliminated

### Tax Changes

#### 1. *Corporate Income Tax*

No changes were announced.

#### 2. *Personal Income Tax*

No changes were announced.

The temporary deficit reduction levy was in force throughout 2019, as shown in table 23; however, the deficit reduction levy was scheduled to expire on December 31, 2019.

#### 3. *Sales Tax*

The 2019 budget announced that the retail sales tax on automobile insurance would be eliminated in its entirety instead of the gradual reductions announced in the 2018 budget. Accordingly, any automobile insurance policies with an effective date of April 16, 2019 or later will not be subject to the tax.

#### 4. *Excise Taxes*

No changes were announced.

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

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

#### 6. *Real Estate Taxes*

No changes were announced.

#### 7. *Pensions*

No changes were announced.

#### 8. *Other*

The federal government accepted Newfoundland and Labrador’s carbon-pricing plan on October 23, 2018, and the plan came into effect in the province on January 1,

**TABLE 22 Projected Revenues and Expenditures, Newfoundland and Labrador, Fiscal Year 2019-20**

|                                       | <i>millions of dollars</i> |
|---------------------------------------|----------------------------|
| Total revenues . . . . .              | 10,350                     |
| Total expenditures . . . . .          | (8,425)                    |
| Oil revenue risk adjustment . . . . . | nil                        |
| Surplus/(deficit) . . . . .           | <u>1,924</u>               |
| Revenue sources                       |                            |
| Personal income tax . . . . .         | 1,587                      |
| Corporate income tax . . . . .        | 411                        |
| Sales tax . . . . .                   | 1,187                      |
| Other taxes . . . . .                 | 738                        |
| Total tax revenue . . . . .           | 3,923                      |
| Federal transfers . . . . .           | 3,871                      |
| Other revenues . . . . .              | 2,556                      |
| Total revenues . . . . .              | <u>10,350</u>              |
| Expenditures                          |                            |
| Education . . . . .                   | 836                        |
| Health . . . . .                      | 3,021                      |
| Debt servicing . . . . .              | 1,395                      |
| Other expenditures . . . . .          | 3,173                      |
| Total expenditures . . . . .          | <u>8,425</u>               |

Notes: Offshore royalties and mining tax and royalties were previously included in tax revenue, but in 2019-20 were excluded from tax revenue. The total revenue figure includes net income of government business enterprises and partnerships. Federal transfers included \$2,501 million from the new Atlantic accord. Expenditures were reported by department, except for debt-related 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. (Column may not add because of rounding.)

Source: Newfoundland and Labrador, Department of Finance, 2019 Budget, Budget Plan, April 16, 2019.

2019.<sup>24</sup> Under the province’s plan, consumers will not be taxed on home heating fuels. The 4.0 cent temporary gas tax was eliminated and replaced with a federally mandated 4.42 cent carbon tax. The 5.0 cent additional gas tax on diesel was eliminated and replaced with a federally mandated 5.37 cent carbon tax. The plan included exemptions from carbon tax for off-grid diesel electricity generation, aviation fuel, interprovincial marine transportation, and municipalities.

24 Newfoundland and Labrador, Department of Municipal Affairs and Environment, and Department of Finance and Department of Natural Resources, “Provincial Government Releases Federally-Approved Made-in-Newfoundland and Labrador Approach to Carbon Pricing,” *News Release*, October 23, 2018 ([www.releases.gov.nl.ca/releases/2018/mae/1023n01.aspx](http://www.releases.gov.nl.ca/releases/2018/mae/1023n01.aspx)).

**TABLE 23 Temporary Deficit Reduction Levy Amounts for 2019  
(Based on Individual Taxable Income)**

|                                  | Individual<br>taxable income | Base           | +10% | Temporary deficit<br>reduction levy<br>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 .....   |                              |                |      | <b>100</b>                                    |
| > \$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 .....   |                              |                |      | <b>200</b>                                    |
| > \$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 .....   |                              |                |      | <b>300</b>                                    |
| > \$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 .....   |                              |                |      | <b>400</b>                                    |
| > \$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 .....   |                              |                |      | <b>500</b>                                    |
| > \$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 .....   |                              |                |      | <b>600</b>                                    |
| > \$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 .....  |                              |                |      | <b>700</b>                                    |
| > \$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 ..... |                              |                |      | <b>800</b>                                    |
| > \$125,000 to ≤ \$126,000 ..... | 125,250                      | 800            | 25   | 825   |
|                                  | 125,500                      | 800            | 50   | 850   |
|                                  | 125,750                      | 800            | 75   | 875   |

(Table 23 is concluded on the next page.)

**TABLE 23 Concluded**

|                                  | Individual<br>taxable income | Base  | +10% | Temporary deficit<br>reduction levy<br>amount |
|----------------------------------|------------------------------|-------|------|---|
| <i>dollars</i>                   |                              |       |      |   |
| > \$126,000 to ≤ \$175,000 ..... |                              |       |      | <b>900</b>                                    |
| > \$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 ..... |                              |       |      | <b>1,000</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,100</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,200</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,300</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,400</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,500</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,600</b>                                  |
| > \$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 ..... |                              |       |      | <b>1,700</b>                                  |
| > \$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 .....                |                              |       |      | <b>1,800</b>                                  |

**YUKON (TABLE 24)****Tax Highlights**

- No changes to corporate or personal income tax rates

**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. Excise Taxes**

No changes were announced.

**5. Resource-Related Matters**

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

**6. Real Estate Taxes**

No changes were announced.

**7. Pensions**

No changes were announced.

**8. Other**

Since Yukon did not implement a carbon tax, the federal carbon tax was imposed on Yukon residents effective July 1, 2019. The Yukon government introduced a carbon price rebate to return carbon levy revenues back to individuals, non-mining businesses, placer and quartz mining operations, First Nations governments, and municipal governments. The carbon price rebate is a fixed amount for individuals. The carbon price rebate for businesses will vary based on the weighting of assets owned by the business.

**TABLE 24 Projected Revenues and Expenditures, Yukon, Fiscal Year 2019-20**

|                                | <i>millions of dollars</i> |
|--------------------------------|----------------------------|
| Total revenues . . . . .       | 1,430                      |
| Total expenditures . . . . .   | (1,436)                    |
| Reserve . . . . .              | <u>nil</u>                 |
| Surplus/(deficit) . . . . .    | <u>(6)</u>                 |
| Revenue sources                |                            |
| Personal income tax . . . . .  | 75                         |
| Corporate income tax . . . . . | 15                         |
| Sales tax . . . . .            | na                         |
| Other taxes . . . . .          | <u>36</u>                  |
| Total tax revenue . . . . .    | 126                        |
| Federal transfers . . . . .    | 1,058                      |
| Other revenues . . . . .       | <u>246</u>                 |
| Total revenues . . . . .       | <u>1,430</u>               |
| Expenditures                   |                            |
| Education . . . . .            | 215                        |
| Health . . . . .               | 443                        |
| Debt servicing . . . . .       | 14                         |
| Other expenditures . . . . .   | <u>764</u>                 |
| Total expenditures . . . . .   | <u>1,436</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 \$4 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, 2019 Budget, Budget Plan, March 7, 2019.

**NORTHWEST TERRITORIES (TABLE 25)****Tax Highlights**

- No changes to corporate or personal income tax rates

**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. Excise Taxes**

No changes were announced.

**5. Resource-Related Matters**

No changes were announced.

See the discussion regarding the carbon tax in the “Other” section below.

**6. Real Estate Taxes**

Property and education mill rates were adjusted for inflation effective April 1, 2019.

**7. Pensions**

No changes were announced.

**8. Other**

The 2019 budget indicated that the government will need to find ways to grow the economy so that it can generate additional fiscal resources to continue to meet the challenge of maintaining existing assets, improving housing stock, and meeting legislative requirements. Because of the small territorial tax bases, increasing taxes would not provide significant new revenue, yet would raise the cost of living and the cost of doing business, discouraging investment in the Northwest Territories.

The federal carbon tax came into effect in the Northwest Territories on September 1, 2019. The tax will apply to various types of fuel sold in the territory but will not apply to aviation fuel. Territorial rates will increase gradually and annually from \$20 per tonne of GHG emissions to \$50 per tonne in 2022. In September 2019, the government announced an NWT cost-of-living offset,<sup>25</sup> which is a tax-free

25 Northwest Territories, Department of Finance, “Northwest Territories Cost of Living Offset,” September 2019 ([www.fin.gov.nt.ca/en/resources/nwt-cost-living-offset](http://www.fin.gov.nt.ca/en/resources/nwt-cost-living-offset)).

**TABLE 25 Projected Revenues and Expenditures, Northwest Territories, Fiscal Year 2019-20**

|   | <i>millions of dollars</i> |
|---|----------------------------|
| Total revenues . . . . .  | 1,933                      |
| Total expenditures . . . . .  | (1,802)                    |
| Infrastructure contribution, deferred maintenance, fund profit/loss . . . . . | <u>(71)</u>                |
| Surplus/(deficit) . . . . .   | <u>60</u>                  |
| Revenue sources   |                            |
| Personal income tax . . . . .   | 104                        |
| Corporate income tax . . . . .  | 23                         |
| Sales tax . . . . .   | na                         |
| Other taxes . . . . .   | <u>133</u>                 |
| Total tax revenue . . . . .   | 260                        |
| Federal transfers . . . . .   | 1,543                      |
| Other revenues . . . . .  | <u>130</u>                 |
| Total revenues . . . . .  | <u>1,933</u>               |
| Expenditures  |                            |
| Education . . . . .   | 332                        |
| Health . . . . .  | 496                        |
| Debt servicing . . . . .  | 11                         |
| Other expenditures . . . . .  | <u>963</u>                 |
| Total expenditures . . . . .  | <u>1,802</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 is assumed to be expenditures classified as “interest” in the summary of expenditures.

Source: Northwest Territories, Department of Finance, 2019 Budget, Budget Plan, February 6, 2019.

benefit paid to individuals and families to help offset the cost of the carbon tax. For 2019-20, the annual benefit amounts are fixed at \$104 per adult aged 18 or older and \$120 per child under the age of 18. As the carbon tax increases, the annual benefits will also increase.



**NUNAVUT (TABLE 26)****Tax Highlights**

- Small business tax rate reduced by 1 percentage point
- Increase in the basic personal amount for individuals

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

The 2019 budget did not introduce any changes to corporate income tax. However, Nunavut unexpectedly introduced Bill 26<sup>26</sup> on May 28, 2019, which proposed to reduce the small business tax rate from 4 percent to 3 percent, effective July 1, 2019. The bill received royal assent on November 7, 2019.

**2. Personal Income Tax**

The 2019 budget did not introduce any changes to personal income tax. However, in Bill 26, the government increased Nunavut's basic personal amount from \$13,325 to \$16,000, effective January 1, 2019. Bill 26 also increased Nunavut's cost-of-living tax credit from \$1,200 to \$1,500, effective January 1, 2019.

**3. Sales Tax**

No changes were announced.

**4. Excise Taxes**

No changes were announced.

**5. Resource-Related Matters**

No changes were announced.

See the discussion regarding the carbon tax in the "Other" section below.

**6. Real Estate Taxes**

No changes were announced.

**7. Pensions**

No changes were announced.

**8. Other**

The federal carbon tax came into effect in Nunavut on July 1, 2019. The tax is levied on fuel, other than aviation fuel, and will not affect charges for electricity. In

26 Government of Nunavut, Bill 26, An Act To Amend the Income Tax Act; royal assent November 7, 2019.

**TABLE 26 Projected Revenues and Expenditures, Nunavut, Fiscal Year 2019-20**

|  | <i>millions of dollars</i> |
|--|----------------------------|
| Total revenues . . . . .   | 2,162                      |
| Total expenditures . . . . .   | (2,166)                    |
| Supplementary requirements, revolving funds, and contingencies . . . . . | (30)                       |
| Surplus/(deficit) . . . . .  | <u>(34)</u>                |
| Revenue sources  |                            |
| Personal income tax . . . . .  | 35                         |
| Corporate income tax . . . . .   | 20                         |
| Sales tax . . . . .  | na                         |
| Other taxes . . . . .  | 81                         |
| Total tax revenue . . . . .  | 136                        |
| Federal transfers . . . . .  | 1,738                      |
| Other revenues . . . . .   | 288                        |
| Total revenues . . . . .   | <u>2,162</u>               |
| Expenditures   |                            |
| Education . . . . .  | 235                        |
| Health . . . . .   | 467                        |
| Debt servicing . . . . .   | na                         |
| Other expenditures . . . . .   | 1,464                      |
| Total expenditures . . . . .   | <u>2,166</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 and include both operations and maintenance expenditures and capital expenditures. The budget does not present debt-servicing costs separately in the main estimates, and an amount that represents those costs cannot be reasonably determined.

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, 2019 Budget, Budget Plan, February 20, 2019.

2019, the government announced the Nunavut carbon rebate,<sup>27</sup> which will apply a rebate at the point of purchase equivalent to half of the federal carbon tax levied. The government intends to reduce the Nunavut carbon rebate by 10 percentage points each year from 2023 to 2027, with the rebate being phased out completely in 2028.

27 Nunavut, Department of Finance, "Carbon Tax and the New Nunavut Carbon Rebate," July 26, 2019 ([www.gov.nu.ca/finance/news/carbon-tax-and-new-nunavut-carbon-rebate](http://www.gov.nu.ca/finance/news/carbon-tax-and-new-nunavut-carbon-rebate)).