

Highlights of the 2016 New Brunswick Budget

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New Brunswick Finance Minister Roger Melanson delivered the province's 2016 budget on February 2, 2016. The budget anticipates a deficit of \$347 million for the 2016-2017 fiscal year, with anticipated deficits of \$267 million for 2017-2018 and \$167 million for 2018-2019. The budget increases the HST to 15% (from 13%), increases the corporate income tax to 14% (from 12%) and reduces personal income taxes for individuals with taxable income over \$150,000, among other changes.

Highlights of tax measures announced in the budget are summarized below.

Personal tax

Personal income tax rates

The budget eliminates the top marginal personal income tax rate of 25.75% and lowers the personal income tax rate for individuals with taxable income over \$150,000 to 20.3% (from 21%). These changes are retroactive to January 1, 2016. In addition, beginning January 1, 2017, the top marginal income bracket will be indexed consistently with all other income brackets in New Brunswick.

As a result, New Brunswick's personal income tax rates effective January 1, 2016 are as follows:

Personal Combined Federal/Provincial Top Marginal Rates				
	Previous 2016 Top Rate (A)	New 2016 Top Rate		Top Rate Decrease (A – B)
		Income from \$150,000 to \$200,000	Income of more than \$200,000 (B)	
Interest and regular income	58.75%	49.30%	53.3%	5.45%
Capital gains	29.38%	24.65%	26.65%	2.73%
Eligible dividends	43.79%	30.75%	36.27%	7.52%
Non-eligible dividends	51.75%	40.69%	45.37%	6.38%

Business tax

Corporate income tax rates

The budget increases the corporate tax to 14% (from 12%), effective April 1, 2016. As a result, New Brunswick's corporate income tax rates effective January 1, 2016 are as follows:

Corporate Income Tax Rates — As of January 1, 2016		
	New Brunswick	Combined Federal and New Brunswick
General ¹	12% / 14%	27% / 29%
M&P ¹	12% / 14%	27% / 29%
Small business ²	4%	14.5%

¹ New Brunswick's general and M&P tax rates will increase to 14% (from 12%), effective April 1, 2016.

² on first \$500,000 of active business income.

Financial corporation capital tax rates

The budget also increases the financial corporation capital tax rate for banks to 5% (from 4%), effective April 1, 2016.

Indirect tax measures

Harmonized Sales Tax

The budget increases the HST to 15% (from 13%), effective July 1, 2016. To offset costs for low and middle income earners, the budget also provides for a refundable provincial HST credit of \$300 for individuals, \$300 for spouse or equivalent, and \$100 per child under the age of 19 will be provided. Single parent families will receive a \$300 credit for their first child.

The HST credit will benefit individuals with incomes of less than \$50,000, or a family of two adults and two children with incomes of less than \$75,000. The credit will be reduced on a sliding scale, in accordance with income.

Other measures

Tobacco tax

The budget raises tobacco tax to 22.26 cents (from 19 cents) per cigarette or gram of loose or fine cut tobacco effective midnight February 2, 2016. In addition, New Brunswick has

scheduled another increase to the tobacco tax to 25.52 cents (from 22.26 cents) on February 1, 2017.

Real property transfer tax

The budget increases the real property transfer tax to 1% (from 0.5%), effective April 1, 2016. This tax is a one-time payment on the purchase of a property due when the deed is registered.

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We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's New Brunswick budget on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law and help you bring any concerns you may have to the attention of the New Brunswick Ministry of Finance.

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