

August 2015 Issue 33

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2015 Budgets Measures (Part 2)

We can now complete our roundup of new tax measures affecting individuals, as Manitoba, Newfoundland and Labrador as well as Prince Edwards Island have now presented their 2015 Budgets. As stated in previous articles, the slower than anticipated economic recovery combined with the shock provoked by falling oil prices, result in a difficult environment for Finance Ministers to balance their budgets or prevent deficits from spiraling out of control. Accordingly, these three provinces follow the trend of reduced expenditures where possible and increased taxes when necessary.

Newfoundland and Labrador

The easternmost province of Canada was hit especially hard by the decline in oil prices, as oil royalties represented approximately 30% of government revenues (according to Budget 2014 figures). Since that Budget, the price of oil declined by more than 40%, resulting in approximately \$900 million of lost revenue as suggested by 2015 Budget documents. In fact, the Conference Board of Canada stated that Newfoundland and Labrador is the second largest "victim" of the impact of declining oil revenue after Alberta. The shortfall could represent close to \$2 billion for Newfoundland in 2015.

A rapid shift of this magnitude required swift action, and the April 30, 2015 provincial Budget clearly showed the impact on taxpayers:

- The Government announced that the HST rate will increase from 13% to 15% effective January 1, 2016. This will be partially offset by increasing the amount of the HST credit for low income individuals, beginning with the October 2016 payment. The income threshold to qualify for the credit is also increased from \$15,000 to \$30,000.
- **Personal income tax rate** is increased from 13.3% to 14.3% for taxable income between \$125,000 and \$175,000 effective July 1, 2015. (Because of mid-year implementation the actual rate will be shown as 13.8% on the 2015 tax forms.)
- For taxable income above \$175,000 the rate increases from 13.3% to 15.3% also effective July 1, 2015. This translates into an effective rate of 14.3% for 2015, with full implementation taking effect in 2016.

Prince Edward Island

Canada's smallest province isn't "burdened" by dependence on oil revenue and was not affected by the decrease in oil prices as was Newfoundland and Labrador. The Budget discussed previously announced income tax reductions for low-income Islanders.

Effective January 1, 2015, the tax reduction amount for an individual and for a spouse or equivalent increases from \$250 to \$300. The amount for each dependent child increases from \$200 to \$250 and a new \$250 component is introduced for individuals aged 65 or older. The income threshold for phasing out the tax reduction also increases from \$15,000 to \$17,000.

The only new measure included in the Budget is an increase in tobacco tax. Effective June 20, 2015, tax rates increased by 2.5 cents per cigarette and four cents per gram of other tobacco.

Manitoba

Manitoba presented its Budget on April 30, 2015; numerous tax changes were announced including the following affecting individuals:

- Manitoba introduced a volunteer firefighter and volunteer search and rescue tax credit. To be eligible, taxpayers must perform at least 200 hours of volunteer firefighting and/or search and rescue work (ground, air, or marine). The non-refundable credit will be calculated at 10.8% on a \$3,000 amount, resulting in a tax credit of \$324.
- Manitoba's primary caregiver tax credit is increased from \$1,275 per care recipient to \$1,400, effective for the 2015 taxation year.
- As previously announced, the **seniors' school tax rebate** is doubled in 2015 from \$235 to \$470. In addition, eligibility is broadened to include seniors who do not own their principal residence but are still liable for school tax. Administrative aspects were also to be amended to allow for applications by legal representatives and payment by electronic funds transfer.
- Effective June 1, 2015, retail sales tax exemptions were amended to:
 - o expand the flood prevention and control exemption to include sandbag filling machines;
 - o expand the commercial fishing boat exemption to include related repair parts;
 - o expand the the film and audio production exemption to include online content; and;

- o clarify that the exemption for goods designed for a disabled person applies to both physical and mental disabilities.

Alberta

Alberta's previously announced March 30, 2015 Budget was never enacted in view of the surprise May 5 election requested by newly-elected Progressive Conservative leader Jim Prentice. The election followed dissolution of Parliament on April 7, 2015. Surprising many, the New Democratic Party (NDP) was elected to a majority under new leader Rachel Notley.

The changes to Alberta's income tax system that the new NDP government announced last month are being brought into force by Bill 2, *An Act to Restore Fairness to Public Revenue*. Bill 2 received Royal Assent on June 29, 2015.

Graduated personal income tax rates are also being introduced to Alberta for taxation years ending after December 31, 2014. The new personal tax rates and income brackets are:

- \$125,000 and below—10%;
- \$125,000–\$150,000—12%;
- \$150,000–\$200,000—13%;
- \$200,000–\$300,000—14%; and
- \$300,000 and above—15%.

However, these rates only become effective October 1, 2015, so for 2015 the average tax rates are:

- \$125,000 and below—10%;
- \$125,000–\$150,000—10.5%;
- \$150,000–\$200,000—10.75%;
- \$200,000–\$300,000—11%;
- \$300,000 and above—11.25%.

The new government stated that it will not proceed with a number of the fee increases announced in the Conservative government's 2015 Budget. In addition, the provincial health levy will be eliminated.

While the NDP will not present a full budget until Fall 2015, Bill 3, *Appropriation (Interim Supply) Act, 2015 (No.2)* had to be introduced by the newly elected government to fund government operations.

This 2015-16 *Interim Supply Act* provides \$15.4 billion to fund day-to-day operations between July 1 and November 30. Interim Supply also provides increased funding to restore stability to Alberta's education, health care and human services.

The total amount allocated in Bill 3 over and above the March provincial Budget is \$624 million.

- Health: \$500 million
- Education: \$45 million
- Innovation and Advanced Education: \$40 million
- Human Services: \$39 million

Federal

The Bill C-59 which contained some of the last federal Budget's tax measures, received Royal Assent on June 23, 2015. There have been few new announcements regarding personal tax measures. The Minister of National Revenue Kerry-Lynne announced July 21, 2015 that individuals and businesses affected by wildfires in British Columbia, the Prairies and Ontario may request tax relief if they are unable to file returns on time because of the wildfires. A request to the CRA to have interest and/or penalties waived or cancelled may be made using Form RC4288, *Request for Taxpayer Relief*. Such demands will be considered on a case-by-case basis.