

Budget 2019

New Brunswick

Making sense of what's next.

March 2019

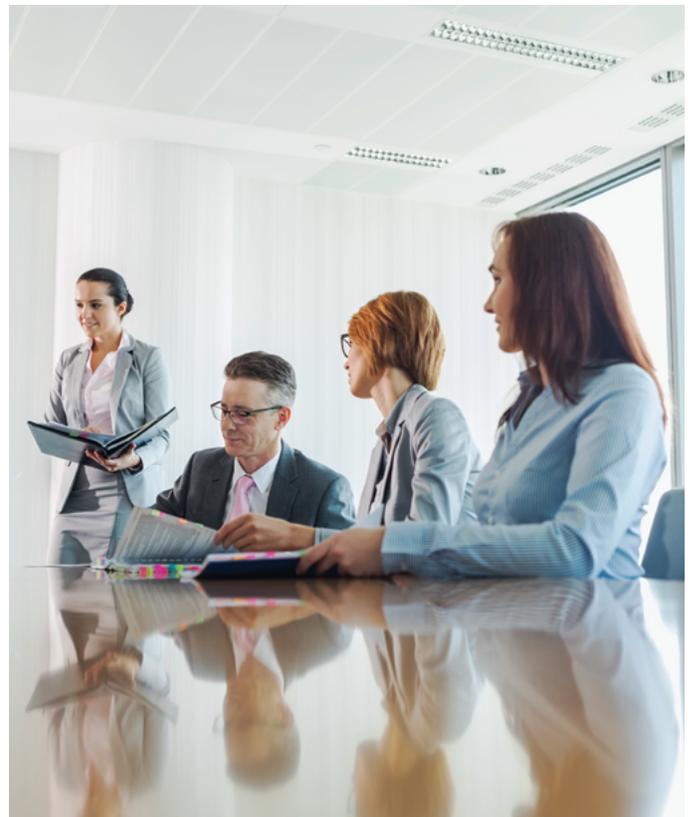
On March 19, 2019, Finance Minister Ernie L. Steeves tabled New Brunswick's 2019-20 budget. The budget projects a \$23.1 million surplus in 2019-20 and sees the province's net debt decrease for the first time in 13 years.

The net debt is currently estimated at \$14.1 billion, and is expected to decline by \$49 million in 2019-20.

The estimates provided in Budget 2019 show that the province projects a surplus of \$4.5 million for the 2018-19 fiscal year, rather than the \$188.7 million deficit projected for the same fiscal year in the previous budget.

From a fiscal perspective, the province projects surpluses over next four years as follows:

Year	Projected surplus
2018-19	\$4.5 million
2019-20	\$23.1 million
2020-21	\$33 million
2021-22	\$63 million
2022-23	\$71 million



Tax measures

Corporate tax rates

No changes to the corporate tax rates, or the \$500,000 small business limit, are proposed.

New Brunswick's corporate tax rates for 2019 are summarized as follows:

New Brunswick combined corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2019-20	11.5%	29.0%	29.0%

Rejecting federal measures on small business limit

The budget indicates that the government will maintain the current rules for the New Brunswick small business corporate income tax rate and will not parallel the federal measures around passive income, which phase out access to the small business tax rate. This makes New Brunswick the second province to deviate from the federal government on these rules, after [Ontario](#).

The rejection of this federal rule at the provincial level means that the small business limit in New Brunswick (\$500,000) will not be reduced by any passive investment income earned in the corporation. Therefore, if passive income is high enough to fully eliminate the small business deduction at the federal level, it would result in a 15% federal corporate rate; however, the provincial tax rate would be unaffected and would remain at 2.5%. Overall, this would result in a combined tax rate of 17.5%.

The province has announced, as part of this budget, that it will be paralleling the federal capital cost allowance incentives that were introduced as part of the [Fall Economic Statement](#). These changes will allow businesses to increase the capital cost allowance deduction that is available in the year of purchase for certain capital expenditures, thereby decreasing taxes payable.

Personal income tax rates

New Brunswick's personal tax brackets are indexed to inflation on an annual basis. Budget 2019 proposes no further changes to the personal tax brackets and rates. The rates for 2019 are as follows:

- 9.68% on the first tax bracket (up to \$42,592)
- 14.82% on the second tax bracket (from \$42,593 to \$85,184)
- 16.52% on the third tax bracket (from \$85,185 to \$138,491)
- 17.84% on the fourth tax bracket (from \$138,492 to \$157,778)
- 20.30% on the fifth tax bracket (over \$157,779)

The top combined federal New Brunswick marginal tax rates for 2019 are as follows:

Taxable income	2019
Interest	53.30%
Capital gains	26.65%
Eligible dividends	33.51%
Regular dividends	47.75%

Harmonized sales tax

Budget 2019 proposes no changes to the current 15% HST rate, which is composed of a federal component of 5% and a provincial component of 10%.

Other notable changes

- **Minimum wage:** The minimum wage will increase by 25 cents to \$11.50 per hour starting April 1, 2019.
- **New Brunswick tuition tax credit and bursary program:** The government will reintroduce the New Brunswick tuition tax credit in 2020, and will unveil a renewed bursary program for students attending universities and colleges in New Brunswick.
- **Administrative changes:** The Department of Finance and the Treasury Board will be merged into one department. Additional funding of \$1 million will be provided to the Office of the Auditor General. A new level of financial reporting will be introduced to include the actual quarterly results in addition to a year-end forecast.



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