



2019 Budgets and How They Will Affect Your Business

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The 2019 budget season is drawing to a close with only Alberta and Prince Edward Island not yet having presented theirs. Major tax changes were minimal, however there were adjustments made to existing tax credits and some new tax incentives were created. As well, the new Federal carbon tax figured in most jurisdictions. Below are the highlights of the various budgets.

Federal Budget Highlights

On March 19, 2019, the Minister of Finance, Bill Morneau, presented the federal Budget for 2019-2020. The following are a few of the more notable business tax items:

- The government announced its intention to limit the use of the current stock option deduction

rules and align the tax treatment of employee stock options with that of the United States. This change will only affect employees of large, long-established, mature firms. Going forward, the government proposes a \$200,000 cap. More information will be provided in summer 2019.

- The government plans to continue to consult with business owners to develop new proposals that facilitate inter-generational business transfers.
- Budget 2019 proposes several tax incentives to help the Canadian media. First, qualified Canadian journalism organizations will be given tax-exempt and qualified donee status, so they can issue charitable donation tax receipts. Second, these types of organizations will also be eligible for a refundable tax credit on labour costs with respect to newsroom employees. Third, the Budget proposes a temporary 15% non-refundable tax credit for digital news subscriptions, for up to \$500 in annual costs incurred after 2019 and before 2025.

Budget 2019 also proposes to:

- introduce a temporary 100% CCA write-off for zero-emissions vehicles;
- remove the taxable income phase-out for the expenditure limit with respect to a CCPC's enhanced SR&ED investment tax credit;

- clarify that the transfer pricing rules apply in priority to the application of other rules in the *Income Tax Act*;
- expand the foreign affiliate dumping rules to apply to a CRIC that is controlled by a non-resident individual, trust, or non-arm's length group of persons — currently the rules apply to a CRIC that is controlled by a non-resident corporation.

Newfoundland and Labrador Budget Highlights

Newfoundland and Labrador Budget 2019 was tabled April 16, 2019, by Minister of Finance and President of the Treasury Board Tom Osborne. Below are some of the highlights.

- There are no tax or fee increases for 2019.
- The Government, which has already eliminated the Temporary Gas Tax, marks the end of the Temporary Deficit Reduction Levy this year, effective December 31, 2019.
- Last year, the Government began to gradually decrease the tax on automobile insurance; this year the remaining retail sales tax on automobile insurance premiums is eliminated in its entirety.

Nova Scotia Budget Highlights

Nova Scotia's Finance and Treasury Board Minister Karen Casey presented the province's 2019-2020 Budget on March 26, 2019. It contained no new taxes or tax increases but did announce the following income tax changes.

- A Venture Capital Tax Credit will be introduced, effective April 1, 2019. It will provide a 15% non-refundable tax credit to both individuals and corporations who invest in an eligible venture capital corporation or fund.
- The Innovation Equity Tax Credit will be expanded to allow investments by corporations, effective April 1, 2019. However, the rates will not be the same as for the personal credit. Corporate investors will be eligible for a 15% non-refundable credit, applicable to a maximum investment of \$500,000.
- As previously announced, the Equity Tax Credit for investments in eligible small businesses

will be phased out. Applications from eligible small businesses, which are required prior to issuing shares to investors, will not be accepted after December 31, 2019. However, there will be no changes to the tax credit available for equity investments in Community Economic Development Investment Funds.

- Budget 2019 announced that Nova Scotia will match November 2018 federal tax changes which provide accelerated capital cost allowances.

New Brunswick Budget Highlights

The 2019-2020 New Brunswick Budget ("Budget 2019") was presented on March 19, 2019 by New Brunswick Finance Minister Ernie Steeves.

- Budget 2019 announced that New Brunswick will not match recent federal tax changes that phase out the small business deduction based on the amount of passive investment income earned by a corporation. Instead, New Brunswick will maintain the current rules for the provincial small business income tax rate.

Quebec Budget Highlights

Quebec's Minister of Finance Eric Girard presented the province's 2019-2020 Budget on March 21, 2019. Below are a few of the more notable tax measures:

- A refundable tax credit to foster the retention of experienced workers will be introduced, effective for taxation years that end after December 31, 2018. This refundable tax credit will be granted to qualified corporations that employ individuals aged 60 or over.
- Currently, a corporation or partnership is eligible for the tax holiday on large investment projects if its capital investment exceeds \$75 million within the 60-month start-up period provided that the project is in a designated region. If the project is not in a designated region, the capital investment threshold is \$100 million. Budget 2019 proposes to reduce the capital investment threshold for large investment projects in a designated region to \$50 million.
- Budget 2019 announces new measures to foster tax fairness and protect the integrity of the tax system.

- New Measures to combat fraud, money laundering and the funding of criminal activities.
- Continue the concerted actions to fight tax evasion.
- Application of the tax on lodging to the activities of persons operating a digital platform offering accommodation units.
- The *Mining Tax Act* will be amended so that an operator can 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 its cumulative sustainable development certification expenses at the end of the fiscal year.
- Changes will be made to the refundable duties credit for losses of an operator, to take into account the introduction of the sustainable development certification allowance. Consequently, the refundable duties credit for losses that an operator may claim for a fiscal year.
- New eligible expenses for the purposes of the refundable tax credit for the reporting of tips.
- Easing of the penalty for failure to attribute an amount as tips.
- The Fonds de solidarité FTQ's statute of incorporation will be amended to merge the ceiling on strategic investments and the ceiling on investments in major projects that have a structuring effect on Quebec's economy.
- Harmonization with certain measures announced in the Fall Economic Statement 2018 of the Department of Finance Canada.
- Ontario is developing an action plan to further improve the accuracy, transparency, and stability of property assessments. The province will be seeking input from stakeholders on this matter.
- The Province announced that it will not be moving forward with the previous Liberal government's proposed changes to the municipal share of gas tax funding.
- Due to the backlog of tax credit applications for the various refundable cultural media tax credits, the government announced that it will review the certification process to streamline administration and reduce the tax credit application backlog.
- The Ontario Government is proposing to reduce the minimum Ontario labour expenditure requirement from \$1 million to \$500,000 in order for a corporation to qualify as a specialized digital game corporation.

Manitoba Budget Highlights

Manitoba's 2019 Budget was presented on March 7, 2019, by Finance Minister Scott Fielding. Below are some of the highlights.

- For qualifying property acquired after June 30, 2019, the refundable portion of the Manufacturing Investment Tax Credit will be reduced from 8% to 7%, but the 1% non-refundable portion will not change.
 - The Small Business Venture Capital Tax Credit, which was scheduled to expire at the end of 2019, will be extended by three years to December 31, 2022. Regulatory amendments will also be implemented to expand the share issuance registration period from six months to 12 months.
 - The Cultural Industries Printing Tax Credit will be extended by one year to December 31, 2020. In addition, an annual tax credit cap of \$1.1 million per taxpayer will be introduced beginning with the 2019 taxation year.
 - As previously announced, the Film and Video Production Tax Credit, which was scheduled to expire at the end of 2019, has been made permanent. In addition, funding for the credit will increase from \$16 million to \$31.5 million.
 - The Book Publishing Tax Credit, which was scheduled to expire at the end of 2019, will be extended for five years to December 31, 2024.
- Ontario Budget Highlights**
- On April 11, 2019, the Ontario Finance Minister, Victor Fedeli tabled the 2019 Ontario Budget. Notable tax measures in the Budget are listed below.
- As previously announced in the 2018 Ontario Economic Outlook and Fiscal Review, the Ontario Job Creation Investment Incentive will parallel the immediate write-off measures and the Accelerated Investment Incentive announced in the federal government's Fall Economic Statement 2018.
 - The Ontario government is proposing eliminating estate administration tax on the first \$50,000 of the value of an estate. Estate Administration Tax would continue to apply to the value of an estate exceeding \$50,000 at the current 1.5% rate.

Saskatchewan Budget Highlights

Saskatchewan's 2019–20 Budget was presented on March 20, 2019 by Finance Minister Donna Harpauer. Below are the highlights.

- Effective April 1, 2019, the potash production tax will be simplified by:
 - eliminating the Saskatchewan Resource Credit for potash production; and
 - no longer allowing deductions for Crown and freehold royalties in determining the base payment or the profit tax. No new corporate tax measures.

British Columbia Budget Highlights

British Columbia Finance Minister Carole James presented the 2019 Budget on February 19, 2019. Below are the highlights.

- The training tax credits are extended for one year to the end of 2019. Mining Flow-Through Share Tax Credit.
- The farmers' food donation tax credit is extended for one year to the end of 2020.
- As announced on January 28, 2019, the mining flow-through share tax credit is made permanent, effective January 1, 2019.
- As announced on January 28, 2019, the mining exploration tax credit is made permanent, effective on royal assent of the enacting legislation.
- The shipbuilding and ship repair industry tax credit is extended for three years to the end of 2022.
- B.C. will be joining with the federal government to deliver tax reductions for businesses investing in machinery and equipment in British Columbia. Changes will allow businesses to immediately write off specific machinery and equipment and accelerate the business capital cost allowance on capital investments.

Nunavut Budget Highlights

Nunavut Finance Minister George Hickes presented the 2019–2020 Budget on February 20, 2019. Below are the highlights.

- The Federal government will impose its national carbon price "Backstop" on Nunavut on July 1, 2019. A charge of \$20 per tonne of CO₂e will be levied, though the government of Nunavut has negotiated exemptions for aviation and public electricity generation. Large emitters will also be able to participate in the Output-Based Pricing System (OBPS), a mechanism designed to significantly reduce the carbon tax paid by emissions-intensive, trade-exposed industries such as mining.

Northwest Territories Budget Highlights

Robert C. McLeod, Minister of Finance for the Northwest Territories ("NWT"), presented the 2019–2020 Budget on February 6, 2019. Below are the highlights.

- As previously announced, the NWT will participate in national carbon pricing with a carbon tax of \$20/tonne starting July 1, 2019, on all petroleum and natural gas fuels except aviation fuel. The legislation to levy the carbon tax will be introduced in this Session.
- With the exception of the property and education mill rates that increase by inflation annually, this Budget does not propose to change the tax rates on any of the NWT's existing taxes.

Yukon Budget Highlights

The Premier of the Yukon and Minister of Finance, the Honourable Sandy Silver, presented the 2019–2020 Budget on March 7, 2019. Below are the highlights.

- Starting on July 1, 2019, the federal carbon levy will be applied to fuels purchased in Yukon. Carbon dioxide emissions will initially be taxed at a rate of \$20 per tonne. This rate will increase on April 1 of each year until it reaches \$50 per tonne in April 2022.
- Yukon businesses will receive their rebate as a refundable income tax credit based on a weighting of assets that consume fossil fuels or displace the consumption of fossil fuels.