

2009 New Brunswick provincial budget

March 17, 2009

On Tuesday, March 17, 2009, Victor Boudreau, the Minister of Finance, tabled the province's 2009-10 budget in the legislative assembly.

A deficit of \$265.2 million is anticipated for 2008-2009, and excluding the extraordinary pension expense, the province is facing a deficit of \$440.9 million for 2009-2010.

Last year's budget announced a plan to overhaul the entire tax system in New Brunswick. On June 4, 2008, the government released a discussion paper outlining the various options being considered. In December, 2008, the province put forward a plan to address the economic crisis.

Building on the plan introduced in December, the key elements of the 2009-2010 budget include the following:

- 1 A four-year plan to return to balanced budgets;
- 2 \$1.2 billion for infrastructure and support for businesses;
- 3 The Plan for Lower Taxes in New Brunswick;

- 4 Investing in priorities including health and education; and
- 5 Responsible management of government expenditures.

The budget also contains the largest one-time tax reduction package ever introduced in New Brunswick. Although the June discussion paper had included options to fund personal tax cuts by increasing the provincial portion of the Harmonized Sales Tax (HST) and introducing a carbon tax, the government has decided not to proceed with either of these revenue generating measures.

The government will also introduce an accountability mechanism that will help prevent provincial and municipal property taxes from automatically escalating when assessments rise.

The following is a summary of the tax measures in the budget.

Personal measures

- **Lowered Personal Taxes:** The budget introduced an initiative to replace the existing four-rate, four-bracket personal tax structure with a two rate, two bracket structure to be phased in over the next four years. While the

reduction to a two bracket structure will actually take effect in 2012, for the years 2009 to 2011, it is proposed that the rates in each of the four brackets will continue to decline. The following chart outlines the key changes in personal tax rates for 2009 as compared to 2008:

	Taxable Income Range 2008	Tax Rate 2008	Taxable Income Range 2009	Tax Rate 2009
1	\$0 to \$34,836	10.12%	\$0 to \$35,707	9.65%
2	\$34,836 to \$69,673	15.48%	\$35,707 to \$71,415	14.50%
3	\$69,673 to \$113,273	16.80%	\$71,415 to \$116,105	16.00%
4	Above \$113,273	17.95%	Above \$116,105	17.00%

The budget also proposes relief in the form a reduction in the Low-Income Tax Reduction (“LITR”). While the LITR is currently phased out at 5%, the budget proposes to reduce the LITR to 4% in 2009 and to 3% thereafter.

Enhanced Tuition Rebate: The budget doubles the maximum lifetime tuition rebate from \$10,000 to \$20,000 and the maximum annual rebate from \$2,000 to \$4,000.

Increase in Low-Income Senior’s Benefits: The Senior’s benefit has been increased from \$200 to \$300 for 2009 and will be further increased to \$400 for 2010.

Business measures

- **General corporate rate reductions:** The general corporate income tax rate will be reduced from 13% to 12%, effective July 1, 2009. Further reductions will reduce the tax rate to 8% by 2012, with the rate being reduced to 11% effective July 1, 2010, 10% effective July 1, 2011, and then 8% effective July 1, 2012. Based on currently proposed rate reductions, this will give New Brunswick the lowest general corporate tax rate in Canada by 2012.

- **Small business limit increase:** Effective January 1, 2009, the small business limit is being increased from \$400,000 to \$500,000. Eligible Canadian-controlled private corporations will be subject to the small business tax rate of 5% on the first \$500,000 of active business income. The new small business limit is equal to the new federal limit.
- **Forestry industry investment tax credit:** This credit, previously offered in 2006 and 2007, will be offered for one year to provide assistance for investments in manufacturing and processing facilities. Qualifying forestry companies will be eligible for a rebate of 50% of their capital investments in manufacturing and processing equipment up to a maximum of 50% of the provincial property tax paid.
- **High energy use tax rebate:** This rebate will be extended by one year to March 31, 2010. The rebate provides a remission of provincial property taxes payable and will help offset energy costs up to 3% over the previous year. This credit requires that qualifying pulp and paper companies produce at least 85% of the previous year’s output and have no property tax arrears.
- **NB labour-sponsored venture capital tax credit:** Effective for shares purchased after March 17, 2009, the credit is being enhanced to allow for an increase in the qualifying investment from \$5,000 to \$10,000, and for an increase in the tax credit rate from 15% to 20%. To ensure that small and medium-sized businesses gain the maximum benefit from these

enhancements, amendments will be made to provide for timely and greater reinvestment of LSVC dollars into New Brunswick enterprises.

- NB small business investor tax credit: This credit has provided a 30% non-refundable personal income tax credit on investments of up to \$80,000 in eligible New Brunswick small businesses. Effective for investments made after March 17, 2009, the maximum annual investment will be increased from \$80,000 to \$250,000 per year. This increases the maximum annual tax credit from \$24,000 to \$75,000 per year. Investors are required to hold their shares for four years after the initial date of the investment. There will also be amendments to the program to allow a larger number of investors to participate in an investment project.

You are invited to call our nearest office find out more about any of the measures announced in this budget.



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