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Tax Alert – Canada

Newfoundland and Labrador Budget 2026

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“It is a plan that recognizes the unique time we live in, and this unique place we all call home. It is a plan that does not sugarcoat our challenges, but does point the way to a better future we can afford.

It is a plan that builds on our proud heritage, but also looks forward, with confidence, to our shared future.”

*Newfoundland and Labrador Finance Minister Craig Pardy
2026 budget speech*

On 29 April 2026, Newfoundland and Labrador Finance Minister Craig Pardy tabled the province’s fiscal 2026 budget. The budget contains tax measures affecting individuals and corporations, including a reduction in the small-business corporate income tax rate by 0.5% for each of the next three years.

The minister revised the 2025-26 deficit projection of the previous government from \$372m to \$729m. The minister further anticipates a deficit of \$689m for 2026-27 and projects deficits for each of the following four years up to and including 2030-31.

Following is a brief summary of the key tax measures.



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with confidence**

Business tax measures

Corporate income tax rates

No changes are proposed to the general corporate income tax rates or the \$500,000 small-business limit. However, the small-business corporate income tax rate will be reduced by 0.5% to 2.0% retroactive to 1 January 2026, and further reduced to 1.5% on 1 January 2027 and to 1% on 1 January 2028.

Newfoundland and Labrador’s (NL) 2026, 2027 and 2028 corporate income tax rates are summarized in Table A.

Table A - 2026 to 2028 Newfoundland and Labrador corporate income tax rates¹

	Current NL rate	Proposed rates					
		2026		2027		2028	
		NL	Federal and NL combined	NL	Federal and NL combined	NL	Federal and NL combined
Small-business tax rate ²	2.50%	2.00%	11.00%	1.50%	10.50%	1.00%	10.00%
General corporate tax rate ^{2, 3}	15.00%	15.00%	30.00%	15.00%	30.00%	15.00%	30.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.
² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Newfoundland and Labrador rates above.
³ An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2026 Newfoundland and Labrador personal income tax rates are summarized in Table B.

Table B - 2026 Newfoundland and Labrador personal income tax rates

First bracket rate ¹	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate	Sixth bracket rate	Seventh bracket rate	Eighth bracket rate
\$0 to \$44,678	\$44,679 to \$89,354	\$89,355 to \$159,528	\$159,529 to \$223,340	\$223,341 to \$285,319	\$285,320 to \$570,638	\$570,639 to \$1,141,275	Above \$1,141,275
8.70%	14.50%	15.80%	17.80%	19.80%	20.80%	21.30%	21.80%

¹ Individuals resident in Newfoundland and Labrador on 31 December 2026 with taxable income up to \$22,774 pay no provincial income tax as a result of a low-income tax reduction. The low-income tax reduction is clawed back for income in excess of \$24,191 until the reduction is eliminated, resulting in an additional 16% of provincial tax on income between \$24,192 and \$30,491.

For taxable income in excess of \$285,319, the 2026 combined federal-Newfoundland and Labrador personal income tax rates are outlined in Table C.

Table C - Combined 2026 federal and Newfoundland and Labrador personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$285,320 to \$570,638	53.80%	44.82%	47.81%
\$570,639 to \$1,141,275	54.30%	45.51%	48.38%
Above \$1,141,275	54.80%	46.20%	48.96%

¹ The rate on capital gains is one-half the ordinary income tax rate.

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ The basic personal amount will increase from \$11,188 to \$15,000.
- ▶ The volunteer firefighter and the search and rescue tax credits will increase from \$3,000 to \$6,000.

The budget also proposes to increase the seniors benefit by 20% effective 1 July 2026.

Other tax measures

Gas tax

The budget proposes to permanently reduce the gas tax to 7.5 cents per litre on gasoline and 9.5 cents per litre on diesel.

Sugar tax

The government intends to repeal the sugar tax.

Learn more

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