

2026 New Brunswick Pre-Budget Proposal

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DECEMBER 2025

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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. Today, the CTF has hundreds of thousands of supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians,

and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Update emails. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2023-24 fiscal year, the CTF raised \$6.3 million on the strength of 74,858 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.



Executive Summary

After years of fiscal prudence, the New Brunswick government's budgetary situation has rapidly worsened. The province intends to borrow \$835 million this year, up from the \$549 million budgeted earlier in the spring.¹ This marks the second year in a row the government has increased the debt. And is a marked departure from the \$2.5-billion reduction in debt between 2020 and 2024, representing 17.5 per cent.²

Now New Brunswick must get its budgetary situation under immediate control. Instead, the provincial government intends to continue to live outside of its means. Government spending in the province is at record levels and there is no plan to stop increasing the debt until at least the 2028-29 fiscal year.³

High government borrowing means increased tax dollars wasted on provincial debt interest charges. Interest charges this year alone will cost taxpayers \$690 million, or about \$793 per New Brunswicker.⁴ This is money that cannot be used on core services or returned to New Brunswickers in the form of tax relief.

For this budget year, the government must reverse course. To avoid adding additional burdens to future generations, the government should reduce spending and stop borrowing money. At the same time, the government of New Brunswick should focus on providing relief through sales tax cuts to curb the rising cost of living.

The measures outlined in this report aim to lower the tax burden and stimulate the economy. They provide

tax cuts to both individuals and businesses to save families money and grow the economy. Reducing taxes and growing the economy means more money in the pockets of New Brunswick.

To finance tax relief, this report relies on ending corporate welfare, finding additional efficiencies through reducing labour costs, consolidating health networks and conducting a review of government spending.

The measures proposed in this submission include:

- 1. Cutting the provincial portion of the HST by one percentage point.**
- 2. Replacing business subsidies with business tax relief.**
- 3. Bringing government compensation in line with New Brunswick's labour market.**
- 4. Consolidating health networks.**
- 5. Conducting a thorough spending review with the aim of reducing overall spending levels.**

With these proposed measures, the government will be able to provide much-needed tax without increasing the debt.

This report includes two main sections: tax relief and spending reductions.

1. https://www2.gnb.ca/content/gnb/en/news/news_release.2025.11.0515.html

2. <https://tj.news/new-brunswick/breaking-higgs-surplus-actually-half-a-billion-dollars-last-year>

3. <https://www.gnb.ca/content/dam/GNB3/gov/budget/docs/budget-speech-en.pdf>

4. <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2025.pdf>

Costed Measures	Tax Relief	Budgetary Savings
Cutting the HST by one percentage point	\$232	–
Replacing business subsidies with business tax cuts	\$53	\$74
Bringing employee compensation to market levels	–	\$549
<u>Total per category</u>	<u>\$285</u>	<u>\$623</u>
Net budget impact:		\$338

*Millions

Tax relief

Introduction

New Brunswickers are still struggling with rising living costs. Since 2021, the price of goods has jumped by about 15 per cent.⁵ Even though inflation is no longer rising as fast, New Brunswickers need relief to manage the financial strain caused by these price hikes over the past few years.

Governments unfairly benefit from inflation through increased sales tax revenue as rising prices mean more money collected from sales taxes. That is why the provincial government's recently enacted rebate to remove HST from home heating bills is a positive move.⁶

However, this submission calls for the government to take this plan further and make a permanent reduction of the provincial portion of the HST by one percentage point on all goods and services. This measure would not only provide relief to families struggling with inflation, but also boost incomes and drive higher economic growth.

A widening prosperity gap continues to affect New Brunswick compared to other provinces. In 2023, the province's GDP per capita fell to \$41,798 and it is now the lowest in Canada. In comparison, the province is well behind Newfoundland and Labrador's \$54,307.⁷

This translates to lower salaries for workers and lower profits for local businesses. As the government aims to grow the province's economy, local businesses need a more competitive environment to attract capital and expand.

Attracting business investment involves making sure individuals and businesses have the funds available to make investments and grow their local markets. An effective way for the government to do this is to take less cash out of citizens' and local businesses' pockets by reducing their taxes.

Low levels of business investment have led Atlantic Canada as a region to struggle in generating economic growth, according to the Fraser Institute.⁸

To help further stimulate investment, the government should replace corporate welfare with corporate tax cuts. Tax cuts attract investment and job creators. Studies from the OECD and elsewhere show that tax cuts, not subsidies, have a clear relationship with stimulating economic growth.^{9 10}

Implementing these recommendations would help New Brunswickers better manage their living costs and enhance New Brunswick's economic competitiveness.

5. <https://www150.statcan.gc.ca/t1/tbll/en/tv.action?pid=1810000402&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2024&referencePeriods=20240901%2C20240901>

6. <https://www2.gnb.ca/content/gnb/en/corporate/promo/electricity-rebate.html>

7. <https://economicdashboard.alberta.ca/dashboard/gdp-per-capita/>

8. <https://www.fraserinstitute.org/sites/default/files/promoting-capital-investment-in-atlantic-canada.pdf>

9. <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

10. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

Cut the provincial portion of the HST by one percentage point

Tax relief: \$232 million | \$351 per household¹¹

The rising cost of living has hit New Brunswickers hard over the past four years. The overall price of goods is about 15 per cent higher than it was in 2021.¹²

Sales taxes exacerbate the issues caused by higher prices. Since the tax is applied at the end of transactions, higher prices mean higher taxes. This problem hits low-income taxpayers the hardest, as sales taxes are regressive. A regressive tax takes a larger percentage of income from low-income earners than from higher-income earners, disproportionately burdening those who can least afford it.

The provincial government did the right thing by removing HST from home heating bills in 2025.¹³ However, to further help families cover higher bills following years of inflation, New Brunswick should permanently cut HST by one percentage point across the board, lowering the total tax to 14 per cent on all goods and services.

Lowering the HST would not only help New Brunswickers better afford their bills, but it would also increase competitiveness and attract taxpayers from other provinces looking to save on their tax bills. Currently, New Brunswick is tied with the Newfoundland and

Labrador and Prince Edward Island as having the highest sales tax in the country.¹⁴ Meanwhile, neighbouring Nova Scotia has recently cut HST by one percentage point as of April 1, 2025.¹⁵ A one percentage point cut would ensure New Brunswick remains attractive for consumers and be tied for the lowest sales tax in the Atlantic region.

New Brunswick has the lowest level of GDP per capita in the country at \$41,798 per person.¹⁶ One of the factors explaining this poor economic performance is the fact that New Brunswick households have an after-tax disposable income level that is also one of the lowest in the country. This means that after New Brunswickers have paid all of their taxes, they have less cash available to spend in local businesses or to invest in the local economy.

There is a clear relationship between household disposable income and household consumption, and between consumer spending and GDP growth. Economic research from the Brookings Institute, the Tax Policy Center as well as the Tax Foundation is very clear about the link between tax relief measures and economic growth.^{17 18 19}

Lowering the HST by one percentage points would free up \$232 million to be invested into the local economy and help families ease the burden of inflation and high living costs.²⁰

11. Based on an average household income of \$100,000. See: <https://pubsaskdev.blob.core.windows.net/pubsask-prod/139357/2023-24%252BBudget.pdf>

12. <https://www150.statcan.gc.ca/t1/tbl/en/tv.action?pid=1810000402&pickMembers%5B0%5D=1.2&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2025&referencePeriods=20250901%2C20250901>

13. <https://www2.gnb.ca/content/gnb/en/corporate/promo/electricity-rebate.html>

14. <https://www.retailcouncil.org/resources/quick-facts/sales-tax-rates-by-province/>

15. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/notice342/nova-scotia-hst-rate-decrease-questions-answers-general-transitional-rules-personal-property-services.html>

16. <https://economicdashboard.alberta.ca/dashboard/gdp-per-capita/>

17. https://www.brookings.edu/wp-content/uploads/2016/06/09_effects_income_tax_changes_economic_growth_gale_samwick.pdf

18. <https://www.taxpolicycenter.org/briefing-book/how-do-taxes-affect-economy-long-run>

19. <https://taxfoundation.org/what-evidence-taxes-and-growth/#:~:text=In%20sum%2C%20the%20U.S.%20tax,a%20higher%20standard%20of%20living>

20. <https://www.gnb.ca/content/dam/GNB3/gov/budget/docs/main-estimates-budget-principal.pdf>

Replacing business subsidies with business tax relief

Savings: \$74 million | Tax relief: \$53 million

The provincial economy and labour market has continued to stagnate since the pandemic. Employment in the private sector continues to lag behind growth in the public sector.²¹ The government should help improve outcomes for businesses by providing tax relief to free up cash flow and allow for growth.²²

Growing the economy and finding employment for out-of-work New Brunswickers is not a matter of helping a handful of sectors. It depends on creating a good business environment for all sectors.

Other factors, such as regulatory burdens, tax regime, workforce education, and availability of transportation infrastructure, have a much bigger impact on decisions to locate in one jurisdiction than one-off financial aid packages at taxpayers' expense.²³ Subsidies merely act as icing on the cake for companies who have already analyzed the risks and potential returns.

Economic research found no statistically significant relationship between business subsidies and economic growth or per capita GDP levels.²⁴ What is clear is that the level of corporate taxation, compared to competing jurisdictions, affects a company's profitability, and ultimately its bottom-line and growth.²⁵

In other words, competitive tax rates attract job creators and direct investment.²⁶ Lower tax rates also contribute to lowering the cost of capital for job creators, thus increasing their ability to re-invest in their company.²⁷

Provincial general corporate tax rates	
Canadian Jurisdiction	General corporate tax rate
Prince Edward Island	15%
Newfoundland and Labrador	15%
Nova Scotia	14%
New Brunswick	14%
Provincial Average	12.5%
Manitoba	12%
Saskatchewan	12%
British Columbia	12%
Quebec	11.5%
Ontario	11.5%
Alberta	8%

Source: Provincial government websites

21. <https://www.fraserinstitute.org/sites/default/files/economic-recovery-in-canada-before-and-after-covid.pdf>

22. <https://thoughtleadership.rbc.com/canadas-recession-to-arrive-earlier-than-expected/>

23. <https://www.brookings.edu/wp-content/uploads/2016/06/cohen-1.pdf>

24. <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

25. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

26. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

27. https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF477.pdf

Like other Atlantic provinces, New Brunswick's corporate tax rate puts the province at a disadvantage. New Brunswick has a corporate tax rate at 14 per cent, which is 1.5 percentage points above the 12.5 per cent national average.

Corporate welfare costs New Brunswickers taxpayers more than \$74 million annually.²⁸ Replacing business subsidies with corporate tax relief would also have an added advantage: reducing the economic distortion.²⁹ New Brunswick's economic strength should not be based on growth expectations in a few targeted sectors, but rather by a broad-based growth approach.

The province should replace these subsidies with a tax cut in the general and small business tax rates by 10 per cent. Lowering the small business tax rate from its current 2.5 percentage point to 2.25 percentage points, and the general corporate tax rate from its current 14 percentage points to 12.6 percentage points, would put New Brunswick's corporate tax rate at the lowest in Atlantic Canada and amount to \$53 million in savings for New Brunswick's businesses of all sizes.³⁰

This tax cut would still allow government savings of \$21 million to be put towards the existing government deficit.

28. <https://www.fraserinstitute.org/sites/default/files/cost-of-business-subsidies-in-canada-updated-edition.pdf>

29. https://www.jec.senate.gov/public/_cache/files/fe2eafaa-f355-462f-b515-15ad4a8f5e74/the-inefficiency-of-targeted-tax-policies-april-1997.pdf

30. <https://www.gnb.ca/content/dam/GNB3/gov/budget/docs/main-estimates-budget-principal.pdf>

Finding Savings in Government Expenditure

Introduction

The New Brunswick government's budgetary situation has rapidly become a cause for concern. The province intends to borrow \$835 million this year, up from the \$549 million budgeted earlier in the spring.³¹ This marks the second year in a row the government is increasing the total debt. And is a marked departure from the reduction in debt between 2020 and 2024 by \$2.5 billion, or 17.5 per cent.³²

The section below provides recommendations for various areas where the government can find savings to balance the budget and reduce debt, while continuing to provide tax relief to families and stimulate the economy.

Bringing government compensation in line with New Brunswick's labour market

Estimated Savings: \$491 million

Salaries and benefits are the largest line-item in the government of New Brunswick's budget.

In 2025, the province spent \$5.8 billion on employee compensation, representing about 90 per cent of what it collected via provincial taxes.³³

In the interest of fairness, and to free up resources for much-needed tax relief, the government must make sure its employee compensation costs are in line with that of non-government workers in New Brunswick.

After adjusting for 12 different individual characteristics, a Fraser Institute report found that the average government employee in Canada earns an 8.5 per cent wage premium over their private sector counterparts.³⁴

Government employees are also more likely to be enrolled in a pension plan than a private sector employee. Only 39.9 per cent of private employees are covered by a pension plan compared to 90.6 per cent of those that work for the government.³⁵

31. https://www2.gnb.ca/content/gnb/en/news/news_release.2025.11.0515.html

32. <https://tj.news/new-brunswick/breaking-higgs-surplus-actually-half-a-billion-dollars-last-year>

33. <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2025.pdf>

34. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf>

35. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf>

Government pension plans are also much more generous than those of the private sector. Of those who have a pension in the government sector, 90.6 per cent of them are defined benefit plans, compared to only 39.9 per cent of plans for those covered in the private sector.³⁶ A defined benefit plan offers the employee a guaranteed benefit during retirement. This guarantee is often on the back of taxpayers who would be saddled with the cost of a bailout if pension funds do not perform well.

Those who work for the government in New Brunswick also retire earlier and have higher levels of job security than those who work in the private sector.³⁷

To bring government employee wages in line with private sector practices, the government of New Brunswick must implement an 8.5 per cent reduction in compensation costs. Much of this can be achieved through attrition and offering lower salaries for any new employees.

To further reduce compensation costs, the government of New Brunswick should look to move towards a defined contribution rather than defined benefit pension scheme for its employees, as is common in the private sector.

This will reduce the estimated cost for government salaries and benefits from \$5.8 billion to \$5.3 billion. This will result in a savings of \$491 million that can then be used to provide relief for taxpayers.

Consolidating health networks

Estimated savings: Unknown

New Brunswick's taxpayers continue to fund two separate health bureaucracies – the English Horizon Health Network and the French Vitalité Health Network – which perform the same roles, but for different language groups at an expensive cost.

Former Vitalité Health Network's CEO Gilles Lanteigne, correctly diagnosed the province's health-care budget woes by recognizing that New Brunswick had "too many programs in the province for the population we have."³⁸ Health services will cost taxpayers more than \$4.3 billion this year alone.³⁹ Ending health network duplication could generate significant savings.

As the government rightly recognized via its amalgamation of laboratory services, there is efficiency to be found in reducing the number of structures in charge of the same task.⁴⁰ Patient experience can be improved thanks to faster service delivery and savings can be realized on the administrative costs.

While efficiency savings could be found in all areas of operations by amalgamating the two health bureaucracies, one key element where taxpayers could get better value for money is in administrative costs. Last year, taxpayers spent \$36.9 million on administrative services at Horizon⁴¹ and \$53 million on administrative services at Vitalité, suggesting room for significant savings.⁴²

Consolidating the two regional health authorities would result in significant savings in administration costs and would help better utilize resources at health authorities.

36. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf>

37. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf>

38. <https://tj.news/telegraph-journal/101401508?>

39. <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2025.pdf>

40. <https://www.cbc.ca/news/canada/new-brunswick/new-brunswick-hospital-lab-testing-1.6551730>

41. <https://horizonnb.ca/wp-content/uploads/2025/06/Annual-Report-2024-2025.pdf>

42. <https://vitalitenb.ca/en/content-page/download/756/365/77?method=view>

Conduct a thorough review with the aim of reducing spending

Estimated savings: Unknown

For the second year in a row, New Brunswick is adding to the provincial debt. Unless the government charts a different plan, the debt will continue to increase until at least the 2028–2029 fiscal year.

This rapid rise in spending must be addressed to bring the province's finances in order by conducting a review of provincial spending.

In 2020, the Newfoundland and Labrador government formed an independent committee to review government expenditures and determine a plan to address the province's financial challenges.⁴³ The resulting report has identified \$3.6 billion in government expenditure savings over a six-year period in which the provincial government has been tasked with implementing.⁴⁴

In similar efforts to balance the budget in the 1990s, Prime Minister Jean Chrétien's government set forth the best practices for program reviews. The review was comprehensive and applied six tests to every expense.⁴⁵

1. Does it serve the public interest?
2. Is government involvement necessary?
3. Is this an appropriate role for this level of government?
4. Are public-private partnerships possible/desirable?
5. Are there ways to make it more efficient?
6. Can taxpayers afford this expense?

The savings identified thanks to this process led to \$9.8 billion in spending reductions, equivalent to 18.9 per cent of federal program spending at the time.⁴⁶

This program review allowed the federal government to balance the budget in 1997–98 and pay down more than \$100 billion in federal debt before the financial crisis hit in 2008.⁴⁷ This reduced the proportion of tax dollars going towards debt interest payments from 30 per cent in 1996–97 down to 13 per cent in 2008–09.⁴⁸

The savings also allowed for significant tax relief, such as the GST reduction, business and personal income tax relief, and the establishment of TFSA's as a vehicle to boost household savings.⁴⁹

New Brunswick who are faced with an ever-increasing rising cost of living need tax relief and the first step is for the provincial government to control spending.

43. <https://thebigresetnl.ca/about/>

44. <https://thebigresetnl.ca/wp-content/uploads/2021/05/PERT-ExecutiveSummary.pdf>

45. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

46. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

47. https://www.rbc.com/economics-subscriber/pdf/Template-provincial%20fiscal%20tables_October2022.pdf?_ga=2.45019876.1912156774.1668026480-1443291271.1665068851

48. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

49. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

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Conclusion

Higher living costs continue to hit families hard while the government of New Brunswick risks continued spending beyond its means. The provincial government should take bold action and commit to fiscal discipline by reducing both spending and taxes to provide families with much-needed relief while improving the province's fiscal position.

To further promote affordability and leave more money in taxpayers' pockets, the government should reduce the sales tax by one percentage point, saving New Brunswickers \$232 million next year alone – or about \$351 per household.

Economic research is clear about the positive relationship between disposable incomes and economic growth.

To further help the province's economy grow, the government should also take steps to make the province more attractive to investment in all industries by replacing its subsidies with corporate tax cuts. Reducing the corporate income tax by 10 per cent and eliminating subsidies would see the government save \$74 million and put \$53 million directly back into the hands of New Brunswick businesses.

New Brunswick's budgetary situation is concerning. The province intends to borrow \$835 million this year, up from the \$549 million budgeted earlier in the spring, and plans to continue borrowing until 2028–2029 fiscal year.

To find savings, the province must eliminate the compensation gap between private sector employees and those working for government. This would promote fairness and would save taxpayers \$491 million next year. The province should also consolidate health networks to find further savings.

Lastly, drawing on successful examples from other jurisdictions, such as Newfoundland and Labrador's recent independent expenditure review and the Chrétien government's program review in the 1990s, the province must conduct a comprehensive assessment of its spending. By applying best practices – such as evaluating whether each expense serves the public interest, is necessary and can be made more efficient – the government can identify significant savings. These savings will reduce the province's debt burden and provide much-needed relief to New Brunswickers facing rising living costs.

Overall, the measures recommended in this report will put \$285 million back in New Brunswickers' pockets and help save at nearly \$623 billion in government operations. This will have a net positive budgetary impact of \$338 million, which will help the government balance the 2026–27 budget.