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2013 Nova Scotia budget

April 2013

Nova Scotia Minister of Finance Maureen MacDonald tabled the province's fiscal 2013–14 budget on April 4, 2013. This year's budget marks the final year of the plan to return the province to a balanced budget.

The budget forecasts a deficit of \$356.4 million for 2012–2013 and estimates a surplus of \$16.4 million for 2013–2014. The government has balanced the budget by continuing to control spending, while at the same time providing improvements to health care and education and assistance for seniors.

In looking at the proposed tax measures, the province appears to have taken a step backwards by reducing the corporate small business limit from \$400,000 to \$350,000. Nova Scotia now has the lowest small business limit in the country, one of only two provinces in the country that has not increased this limit to \$500,000.¹ In addition, the eligible dividend tax rate continues to be much higher than it should be compared to regular dividend rates, resulting in less than optimal integration. Nova Scotia continues to have the highest rates of personal tax in the country.

Following is a brief summary of the tax measures announced in today's budget.

Business tax measures

Corporate tax rates

Nova Scotia's small business tax rate was reduced to 3.5%, effective January 1, 2013. This rate will be further reduced to 3%, effective January 1, 2014. This is the fourth consecutive year that the government has lowered the tax by half a percentage point. However, the small business limit will be reduced from \$400,000 to \$350,000 effective January 1, 2014. No changes were announced to the general corporate income tax rate.

¹ The other province is Manitoba, which currently has a small business limit of \$400,000.

Nova Scotia's current and proposed corporate tax rates are summarized in the table below:

| Date | Small business tax rate | General corporate tax rate | Manufacturing and processing income tax rate |
|------|-------------------------|----------------------------|--|
| 2013 | 3.5% | 16.0% | 16.0% |
| 2014 | 3.0% | 16.0% | 16.0% |

Nova Scotia continues to have the highest corporate tax rates in the country for income above the small business limit.²

Other business measures

The province announced that both the Film Industry Tax Credit and the Digital Media Tax Credit will continue in 2013.

Personal tax

Personal income tax rates

There are no changes to personal income tax rates, although the rate of tax on regular dividends will change in 2014 due to federal changes to the dividend gross-up and tax credit. Nova Scotia continues its policy of not indexing tax brackets or personal credits. The fifth tax bracket on taxable income of \$150,000 a year or more will be maintained.

The following table illustrates the top marginal rate of tax on various types of income:

| Type of Income | Rate | Rate |
|--------------------|-------|--------------------|
| | 2013 | 2014 |
| Interest | 50.0% | 50.0% |
| Capital gains | 25.0% | 25.0% |
| Eligible dividends | 36.1% | 36.1% |
| Regular dividends | 36.2% | 39.1% ³ |

Other personal measures

Assistance for low-income seniors

- The province will increase the maximum property tax rebate for seniors by \$200, bringing the total maximum rebate up to \$800.
- A new provincial \$1,000 non-refundable age amount tax credit will be introduced in 2014.
- Modifications will be made to the Guaranteed Income Supplement (GIS) so that the number of low-income senior recipients who will not have to pay any provincial tax will increase by almost 50% in 2014.

First-time New Home Buyers Rebate

The province will provide a First-time New Home Buyers Rebate which will refund 18.75%, or up to \$3,000, of the provincial portion of the HST on new homes bought by first-time buyers.

² Prince Edward Island also has a general corporate tax rate of 16%.

³ Assumes that the province will maintain the existing 38.5% rate used to compute the provincial dividend tax credit.

Graduate Retention Rebate

The province confirmed that it will continue to provide an incentive for new graduates to live and work in Nova Scotia by offering this tax credit.

Assistance for low-income taxpayers

The province will continue to provide both the Affordable Living and Poverty Reduction tax credits to assist low-income taxpayers.

Sales tax measures

Reduction in HST rate

As announced in last year's budget, the province will reduce its HST rate from 15% to 13% by 2015. This reduction will take place in two stages—to 14% in 2014 and to 13% in 2015. The province will also provide ongoing HST rebates for families purchasing children's clothing, children's footwear, and children's diapers, as well as books and home energy.

Other measures

Tobacco tax

The cost of tobacco products will increase by \$0.02 per cigarette or gram of fine-cut tobacco, effective April 5, 2013. This is the first increase in four years.

Please contact us if you have any questions about any of the tax measures discussed in this release.

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