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Tax Alert – Canada

Nova Scotia 2017-18 post-election budget

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.

“Mr. Speaker, today I present a budget that reflects what we have heard from Nova Scotians, their values and their priorities. It invests in our businesses, and in creating the conditions for economic growth and success.

“This is the first budget of our government’s second mandate. We stand here today with the first back-to-back majorities in nearly 30 years. We are here, as government, because Nova Scotians want to continue to work with us to build a stronger province. Not just for families today, but for future generations. It starts with our own fiscal health. We have laid out a clear, reasonable and sustainable fiscal plan. We have stuck to that plan, and we are making progress.

“The fiscal health of our province has improved. We are on a path to achieving ongoing financial sustainability. This has allowed us to continue to support economic growth, preserve financial capacity, make strategic investments and provide the services and supports Nova Scotians expect and deserve. I am proud to be part of a government that has demonstrated it cares.”

*Nova Scotia Finance Minister Karen Casey
Budget 2017 update speech*

On 26 September 2017, Nova Scotia Finance Minister Karen Casey tabled the province’s fiscal 2017-18 post-election budget. The budget contains no new taxes and no tax increases.

The minister anticipates a surplus of \$131.6m for 2017-18, which includes the prior year’s one-time revenue increase of \$110.3m of federal and municipal contributions for the convention centre due to the changing timeframe of completion, and projects surpluses for each of the next three years.



Following is a brief summary of the key tax measures.

Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates. Effective 1 January 2017, the \$350,000 Nova Scotia small-business limit has been increased to \$500,000, which matches the federal small-business limit.

Nova Scotia's 2017 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2017	
	NS	Federal and NS combined
Small-business tax rate	3.0%	13.5%
General corporate tax rate	16.0%	31.0%

Personal tax

Personal income tax rates

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

The 2017 Nova Scotia personal tax rates are summarized in Table B.

Table B: 2017 Nova Scotia personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$29,590	\$29,591 to \$59,180	\$59,181 to \$93,000	\$93,001 to \$150,000	Above \$150,000
8.79%	14.95%	16.67%	17.50%	21.00%

For taxable income in excess of \$142,353, the 2017 combined federal-Nova Scotia personal income tax rates are outlined in Table C.

Table C: Combined 2017 federal and Nova Scotia personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$142,354 to \$150,000	46.50%	31.23%	38.19%
\$150,001 to \$202,800	50.00%	36.06%	42.29%
Above \$202,800	54.00%	41.58%	46.97%

*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:

- ▶ Effective 1 January 2018, the basic personal amount, spousal amount and eligible dependent amount will increase \$3,000, from \$8,481 to \$11,481 for individuals with taxable income under \$25,000. The benefit decreases as income increases over \$25,000 and will end when taxable income reaches \$75,000.
- ▶ Effective 1 January 2018, the age amount will increase by \$1,465, from \$4,141 to \$5,606, for individuals with taxable income under \$25,000. The benefit decreases as income increases over \$25,000 and will end when taxable income reaches \$75,000.

Harmonized sales tax

The budget does not include any changes to the harmonized sales tax rate of 15%.

Other tax measures

Motive fuel tax

Effective 1 April 2017, the province will provide an exemption from motive fuel tax for equipment used in the mining and quarrying sector. Currently, motive fuel exemptions are available for such purposes as fishing, farming and logging operations; commercial vessels and ferries; provincial, municipal, school board and public works vehicles; equipment used for firefighting; motive fuel purchased by status Indians on a reserve; and locomotives.

Learn more

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