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Tax Alert – Canada

Nova Scotia budget 2025-26

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.

“We may not be able to control outside influences, but as a province we can control how we respond, where we invest and what we focus on next.”

“Budget 2025-26 will continue to move Nova Scotia forward. It builds on progress already made and delivers on promises to lower taxes, hire more doctors, increase wages and strengthen our economy. This is how we will help unlock Nova Scotia’s full potential.”

*Nova Scotia Minister of Finance and Treasury Board John Lohr
News release for the 2025-26 budget*

On 18 February 2025, Nova Scotia Minister of Finance and Treasury Board John Lohr tabled the province’s fiscal 2025-26 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$697.5m for 2025-26 and projects deficits for each of the next two years, with a return to budgetary balance in 2028-29.¹

Following is a brief summary of the key tax measures.

¹ Balances are presented before contingency.



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Business tax measures

Corporate income tax rates

No changes are proposed to the general corporate income tax rate; however, effective 1 April 2025, the small-business tax rate will be reduced from 2.5% to 1.5%, and the small-business limit will be increased from \$500,000 to \$700,000.

Nova Scotia's current and proposed 2025 corporate income tax rates are summarized in Table A.

Table A - 2025 Nova Scotia corporate income tax rates¹

	Current NS rate	Proposed rates			
		Prior to 1 April 2025		After 31 March 2025	
		NS	Federal and NS combined	NS	Federal and NS combined
Small-business tax rate ²	2.50%	2.50%	11.50%	1.50%	10.50%
General corporate tax rate ^{2,3}	14.00%	14.00%	29.00%	14.00%	29.00%

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 Nova Scotia rates above.

³ An additional 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 2025 Nova Scotia personal income tax rates are summarized in Table B.

Table B - 2025 Nova Scotia personal income tax rates

First bracket rate ¹	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$30,507	\$30,508 to \$61,015	\$61,016 to \$95,883	\$95,884 to \$154,650	Above \$154,650
8.79%	14.95%	16.67%	17.50%	21.00%

¹ Individuals resident in Nova Scotia on 31 December 2025 with taxable income up to \$15,100 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 \$15,100 until the reduction is eliminated, resulting in an additional 5% of provincial tax on income between \$15,101 and \$21,000.

For taxable income in excess of \$154,650, the 2025 combined federal-Nova Scotia personal income tax rates are outlined in Table C.

Table C - Combined 2025 federal and Nova Scotia personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$154,651 to \$177,882	47.00%	31.92%	40.22%
\$177,883 to \$253,414 ²	50.32%	36.50%	44.04%
Above \$253,414	54.00%	41.58%	48.27%

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

² The federal basic personal amount comprises two elements: the base amount (\$14,538 for 2025) and an additional amount (\$1,591 for 2025). The additional amount is reduced for individuals with net income in excess of \$177,882 and is fully eliminated for individuals with net income in excess of \$253,414. Consequently, the additional amount is clawed back on net income in excess of \$177,882 until the additional tax credit of \$239 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$177,883 and \$253,414.

Personal tax credits

Effective for the 2025 taxation year:

- ▶ The maximum basic personal amount, spouse or common-law partner amount, and eligible dependent amount will be \$11,744 for all eligible individuals. Currently, the additional \$3,000 (i.e., added to the basic amount of \$8,744) is only available for individuals with taxable income of \$25,000 or less. The reduction provision for individuals with taxable income between \$25,000 and \$75,000 will be removed.
- ▶ The age amount will increase from \$4,269 to \$5,734 for all eligible individuals. The reduction provision for individuals with taxable income between \$25,000 and \$75,000 will be removed.

Harmonized sales tax (HST)

As previously announced on 23 October 2024, the province will reduce the provincial portion of the HST from 10% to 9%, resulting in a new combined HST rate of 14%, effective 1 April 2025.

Other tax measures

Effective 1 April 2025, the province's nonresident deed transfer tax rate will be increased from 5% to 10% for transactions with an Agreement of Purchase and Sale dated from 1 April 2025 onwards.

Learn more

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