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Tax Alert – Canada

Nova Scotia 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.

“This year’s budget is about continuing to invest in the strategic priorities that will drive the province forward and build our economy. At the same time, we are planning for the long term to reduce expenses and keep our province on strong fiscal footing.”

*Nova Scotia Minister of Finance and Treasury Board John Lohr
News release for the 2026 budget*

On 23 February 2026, Nova Scotia Minister of Finance and Treasury Board John Lohr tabled the province’s fiscal 2026 budget. The budget contains no new taxes and no income tax increases; however, the budget includes a proposed increase to the financial institutions capital tax.

The minister anticipates a deficit of \$1.19 billion for 2026-27 and projects deficits for each of the next three years.

Following is a brief summary of the key tax measures.



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Business tax measures

Corporate income tax rate

No changes are proposed to the corporate income tax rates or the \$700,000 small-business limit.

Nova Scotia's 2026 corporate income tax rates are summarized in Table A.

Table A - 2026 Nova Scotia (NS) corporate income tax rates¹

	NS	Federal and NS combined
Small-business tax rate ²	1.50%	10.50% (up to \$500k) 16.50% (\$500k to \$700k)
General corporate tax rate ^{2, 3}	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).

Other business tax measures

The minister also proposed the following business tax measures:

- ▶ Effective for tax years starting on or after 1 November 2026, the financial institutions capital tax rate will increase from 4% to 6%.
- ▶ The sunset date for the capital investment tax credit is extended by six years to 31 December 2035. In addition, the government will authorize the credit for qualified property acquired after 31 December 2035 if the pre-approval application was received prior to the sunset date and approved based on prescribed criteria.

Personal tax

Personal income tax rates

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

The 2026 Nova Scotia personal income tax rates are summarized in Table B.

Table B - 2026 Nova Scotia personal income tax rates

First bracket rate ¹	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$30,995	\$30,996 to \$61,991	\$61,992 to \$97,417	\$97,418 to \$157,124	Above \$157,124
8.79%	14.95%	16.67%	17.50%	21.00%

¹ Individuals resident in Nova Scotia on 31 December 2026 with taxable income up to \$15,220 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 \$15,220 until the reduction is eliminated, resulting in an additional 5% of provincial tax on income between \$15,221 and \$21,000.

For taxable income in excess of \$157,124, the 2026 combined federal-Nova Scotia personal income tax rates are outlined in Table C.

Table C - Combined 2026 federal and Nova Scotia personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$154,125 to \$181,440	47.00%	31.92%	41.94%
\$181,441 to \$258,482 ²	50.29%	36.46%	45.72%
Above \$258,482	54.00%	41.58%	49.99%

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 (\$14,829 for 2026) and an additional amount (\$1,623 for 2026). The additional amount is reduced for individuals with net income in excess of \$181,440 and is fully eliminated for individuals with net income in excess of \$258,482. Consequently, the additional amount is clawed back on net income in excess of \$181,440 until the additional tax credit of \$227 is eliminated; this results in additional federal income tax (e.g., 0.29% on ordinary income) on net income between \$181,441 and \$258,482.

Other measures

Vaping product tax harmonization: As previously announced, effective 1 April 2026, a new provincial duty will be collected by the federal government through a Coordinated Vaping Product Taxation Agreement equal to the federal duty of \$1.12 per 2mL/g of vaping substance for the first 10mL/g of vaping substance in a device or container and \$1.12 per 10mL/g for any additional amount. Nova Scotia's current vaping product tax will end on 31 March 2026.

Electric and hybrid vehicle levy: A new electric and hybrid vehicle levy will be implemented effective 1 October 2026, when a prescribed vehicle is registered and every two years thereafter when the vehicle registration is renewed. Fully electric vehicle owners will pay \$500 every two years, and electric-hybrid vehicle owners will pay \$250 every two years.

Learn more

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