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Tax Alert – Canada

Nova Scotia budget 2018-19

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.

“I thank Nova Scotians for giving our government the opportunity to table the budget for 2018-19 – our third consecutive balanced budget.

“The Office of the Parliamentary Budget Officer has identified Nova Scotia as one of only two provinces in Canada that are on a fiscally sustainable path over the long term. We are competing and winning on the international stage. We are showing what a small province filled with passionate, creative and innovative people can do. We are able to achieve this while holding onto the traditional warmth and hospitality for which we are known. In this moment, we are showing what a new Nova Scotian confidence looks like.”

*Nova Scotia Finance and Treasury Board Minister Karen Casey
2018-19 budget speech*

On 20 March 2018, Nova Scotia Finance and Treasury Board Minister Karen Casey tabled the province’s fiscal 2018-19 budget. The budget contains a few tax measures affecting individuals and corporations.

The minister anticipates a surplus of \$29.4 million for 2018-19, 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 or the \$500,000 small-business limit.

Nova Scotia's 2018 and 2019 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2018		2019	
	NS	Federal and NS combined	NS	Federal and NS combined
Small-business tax rate*	3.00%	13.00%	3.00%	12.00%
General corporate tax rate	16.00%	31.00%	16.00%	31.00%

*On 24 October 2017, the federal government tabled a notice of ways and means motion to implement reductions in the small-business corporate income tax rate, which were announced on 16 October 2017. The federal small-business rate is reduced from 10.5% to 10.0% effective 1 January 2018 and will be further reduced to 9.0% effective 1 January 2019.

Other business tax measures

The minister did not propose any changes to other business tax measures.

Personal tax

Personal income tax rates

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

The 2018 Nova Scotia personal tax rates are summarized in Table B.

Table B: 2018 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 \$144,489, the 2018 combined federal-Nova Scotia personal income tax rates are outlined in Table C.

Table C: Combined 2018 federal and Nova Scotia personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$144,490 to \$150,000	46.50%	31.23%	38.63%
\$150,001 to \$205,842	50.00%	36.06%	42.69%
Above \$205,842	54.00%	41.58%	47.33%

*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:

- ▶ The province is removing the \$10,000 maximum on eligible medical expenses that can be claimed through the Medical Expense Tax Credit for a financially dependent relative effective for the 2018 tax year.
- ▶ Effective 1 January 2019, the province intends to introduce a new Innovation Equity Tax Credit, which will be more narrowly focused and will phase out the existing equity tax credit.

Other personal tax measures include:

- ▶ As announced in the 2017-18 budget, effective 1 January 2018, the basic personal amount, spousal amount and eligible dependent amount increased \$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 ends when taxable income reaches \$75,000.
- ▶ Also as announced in the 2017-18 budget, effective 1 January 2018, the age amount increased \$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 ends when taxable income reaches \$75,000.

Other tax measures

Cannabis tax

In December 2017, the province agreed in principle to enter into a coordinated cannabis tax framework with the federal government for a two-year period following the legalization of recreational cannabis.

A federal excise duty of \$1 per gram of flowering material in a cannabis product will be imposed, of which \$0.75 per gram will be collected on behalf of the province.

Learn more

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