



Canadian tax alert

2012 Nova Scotia budget highlights

April 3, 2012

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The Nova Scotia Minister of Finance, the Hon. Graham Steele, presented the government's 2012-2013 budget in the House of Assembly this afternoon. The following is a summary of the tax highlights contained in the budget.

Economic context

- The 2012 Budget anticipates a provincial deficit for fiscal 2012-2013 of \$211.2 million, which is \$49.6 million lower than the \$260.8 million deficit forecast for 2011-2012.

This decrease is primarily due to increased revenue through HST (\$61.1 million), corporate tax (\$29 million), personal tax (\$133.5 million), and federal transfers (\$229.6 million), offset with lower offshore royalties (\$112 million) and increased expenses (\$337.6 million).

The 2012-2013 deficit is forecast on revenues of \$9.3 billion and expenses of \$9.5 billion.

- The Department of Finance is projecting real GDP growth of 1.7% for 2012 and 1.9% for 2013.
- Net debt to GDP is expected to drop from 35.2% in 2012 to 31.2% in 2016.
- The government is predicting a balanced budget in 2013 and has mentioned they plan to reduce the HST from 15% to 14% in 2014 and further reduce the HST to 13% in 2015.

Measures concerning business

- The small business tax rate will be reduced from 4.0% to 3.5% effective January 1, 2013 on the first \$400,000 of taxable income for eligible Canadian Controlled Private Corporations.
- The government reaffirmed the phase out of the capital tax, as previously announced in the 2006-2007 budget. The tax will be eliminated on July 1, 2012. This is expected to save businesses \$16.3 million.

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Measures concerning individuals

- The eligible dependant and spouse amounts will increase \$8,481 to match the basic personal amount in 2012.
- The Affordable Living Tax credit and the Poverty Reduction Tax credits will both be increased to \$255 and \$250 respectively for those who qualify.
- Increased tax credits will provide savings of \$7.5 million to 78,000 low income Nova Scotians.
- \$7.7 million in provincial rebates will be paid to 17,000 low-income seniors who receive the Guaranteed Income Supplement equal to the amount of provincial income tax they paid.

Other tax measures

- Further investment will be made in workplace productivity and innovation with \$15 million earmarked to help businesses with the purchase of technologically advanced machinery, and \$9 million for skills training.
- A \$15 million regional venture capital fund will help provide much needed early-stage seed capital.
- The Equity Tax Credit and the Labour-Sponsored Venture Capital Tax Credit were scheduled to expire on February 29, 2012. They have both been extended to February 28, 2022.

For further details, we refer you to the [Department of Finance](#) website.

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