



Canadian tax alert

2013 Nova Scotia budget highlights

April 5, 2013

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Budget highlights

Yesterday, Finance Minister Maureen MacDonald presented Nova Scotia's 2013-2014 budget. The budget includes \$9.5 billion in revenue, \$9.5 billion in total spending, and a bottom line surplus of \$16.4 million. This budget will reduce operating expenses by \$80 million while anticipating a \$300 million increase in revenues. The budget notes:

- Gross domestic product (GDP) growth of 1.3% in 2013
- Net debt-to-GDP ratio projected to be 35.8%
- A surplus of \$18.3 million projected for 2014-15, followed by a surplus of \$19.4 million in 2015-16
- Some personal tax relief for low income seniors
- Modest corporate tax changes producing mix results

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Fiscal/economic outlook

In 2013, Nova Scotia GDP expected growth of 1.3% will lag behind the 1.8% growth forecasted for Canada. The unemployment rate is projected to grow to 9.1% in 2013. While this year's budget is balanced, net debt continues to grow and is projected to increase for the foreseeable future due to capital spending. For the fiscal year ending March 31, 2014 the province's net debt is projected to be approximately \$14 billion.

One third of the \$300 million increase in projected revenues is expected to arise as a result of increased transfers from the federal government. The remaining \$200 million comes from increased tax revenues. On the spending side, the primary source of spending cuts is a result of a reduction in assistance to universities and spending cuts to the Departments of Economic and Rural Development and Tourism, Service Nova Scotia and Municipal Relations, and Community Services.

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The future of tax

- Deloitte is Canada's largest tax practice and a global tax firm with a unique perspective on competitive tax policy and the key drivers of national prosperity.
- With the right tax policy, we believe that Canada can be more productive and globally competitive. The key lies in creating a tax ecosystem capable of fostering innovation and investment while supporting the objective of a balanced budget.
- [The future of productivity](#)
- [Deloitte's policy submissions](#)

Tax measures

The budget proposes to reduce the corporate income tax rate for small businesses from 3.5% to 3.0%, effective January 1, 2014. However, the small business limit threshold will also decrease from \$400,000 to \$350,000. As a result, the provincial small business limit is now the lowest in the country. The federal small business limit continues to be \$500,000 and many provinces have chosen to match the federal limit. While this budget proposal results in tax savings for small businesses with taxable income less than \$350,000, those businesses with greater taxable income will likely see a tax increase.

Nova Scotia continues to have the highest marginal personal tax rate in the country at 50%. The government did not lower the top marginal tax rate upon balancing the budget, as originally promised.

In an effort to provide relief to low income seniors, the annual property tax rebate was increased by \$200 and a new \$1,000 non-refundable age amount tax credit is being introduced.

Finally, the government reiterated its promise to reduce the harmonized sales tax (HST) by 1% in 2014 and by an additional 1% in 2015, assuming that it continues to balance the budget in future years. It is worth noting that any reduction in the provincial portion of the HST rate will have a significant impact on provincial revenues.

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For further details, we refer you to the [Government of Nova Scotia website](#).

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