

Canadian tax alert

2015-2016 Nova Scotia budget highlights



On April 9, 2015, Finance Minister Diana Whalen presented Nova Scotia's 2015-2016 budget. The budget projects \$9.9 billion in revenues, \$10 billion in expenses, and a bottom line deficit of \$97.6 million. Revenues are anticipated to increase by \$157 million, and expenses by \$127 million.

The budget holds the line on spending by focusing on the core responsibilities of government and making structural change. Overall spending is up 0.7% when taking into account wage increases, and includes only a 0.8% increase in costs in the area of health (the smallest health cost increase in more than a decade).

On the revenue side, higher revenue is expected to be derived primarily from increased personal and corporate income taxes as well as increased harmonized sales tax (HST) payments. Federal government transfers are expected to remain approximately unchanged. The budget did not propose the implementation of any of the recommendations from the November 2014 Tax and Regulatory Review Report which was the product of a comprehensive tax review and which had recommended a broad range of tax changes. However, the budget does note that the Report is still under review.

Personal tax measures

- No changes in personal income tax rates were announced in this budget. As a result, Nova Scotia's highest marginal tax rate remains unchanged at 50%.
- The Nova Scotia non-eligible dividend tax credit will be decreased from 5.87% to

- 3.5%. This tax credit generally applies on dividends paid by small businesses.
- The healthy living tax credit is being eliminated.

Consumption taxes

- The tobacco tax is increasing by two cents per cigarette, two cents per gram of fine-cut tobacco and two cents per pre-proportioned tobacco stick.
- The HST rate for the province has been maintained at 15%.

Corporate tax measures

- No changes in the corporate tax rates were announced. As a result, Nova Scotia's general corporate tax rate remains at 16% and its small business tax rate remains at 3%.
- The film industry tax credit will no longer be 100% refundable; instead it will be only 25% refundable. The remaining 75% of the credit will be non-refundable and applied only against Nova Scotia taxes owing. This change will be effective July 1, 2015.
- A cap has been placed on corporation capital tax for financial institutions.

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

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