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2016 Nova Scotia budget summary

April 2016

On April 19, 2016, Nova Scotia Finance and Treasury Board Minister Randy Delorey tabled the province's 2016-17 budget. The budget forecasts a deficit of \$71.2 million for 2015-2016, down from the estimated deficit of \$97.6 million. A surplus of \$127.4 million is projected for 2016-17, with a net surplus position of \$17.1 million after accounting for a one-time revenue increase of \$110.3 million in respect of federal and municipal contributions towards the Halifax Convention Centre (which are not considered part of normal revenues). Surpluses of \$20.8 million, \$79.0 million and \$132.5 million are projected for 2017-18, 2018-19 and 2019-20 respectively. Nova Scotia is one of only a few jurisdictions in Canada to have a budgeted surplus.

Due to a revision to historical GDP values by Statistics Canada, the debt-to-GDP ratio for 2015-2016 will be 37.9%, instead of the 36.3% projected in last year's budget. This ratio is expected to decline to 37.1% for 2016-2017.

Some of the many investments included in the 2016-17 budget are the following:

- the launch of a multi-year redevelopment of the Queen Elizabeth II Health Sciences Centre,
- an expansion of the Graduate to Opportunity program to help businesses hire new college and university graduates,
- partnering with the private sector to create 600 co-op positions for students,
- enhanced day care services, smaller class sizes and improved curriculum in math and language arts, and
- investments in aquaculture, the wine industry, the creative economy and transportation infrastructure.

Total capital expenditures are forecast at \$645 million, compared to \$490 million in 2015-16 and \$535 million in 2014-2015. The investments will be in the following four categories:

Table A Amount (in millions)

Category	2016-17	2015-16	2014-15
Highways	222.5	222.5	240.8
Building and land	271.8 ¹	114.8	135.0
Information technology	30.0	47.4	45.4
Vehicles and equipment, capital grants and contingency	120.7	105.3	113.8
Total	645.0	490.0	535.0

¹ This amount includes a \$164.2 million investment in the Halifax Convention Centre.

The budget includes few new tax measures and no income tax increases or decreases. The HST rate will remain at 15%, and all current point-of-sale rebates of the provincial portion of the HST will continue. However, Nova Scotia still has some of the highest personal and corporate tax rates in the country. The small business limit, which is currently set at \$350,000, continues to be the lowest in the country.

Following is a summary of the tax measures in the budget.

Business tax measures

Corporate tax rates

No changes are proposed to the \$350,000 small business limit or the small business and general tax rates.

Nova Scotia's corporate tax rates for 2016 are summarized in Table B below:

Table B

Nova Scotia corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2016	3.0%	16.0%	16.0%

Digital animation tax credit

As previously announced, effective July 1, 2015, the Digital Animation Tax Credit provides a refundable corporate income tax credit for film and television productions where more than 90% of the production consists of digital animation. A base credit of 25% of total eligible expenditures applies, plus a digital animation bonus of 17.5% for Nova Scotia animation labour employed for the production.

Food bank tax credit for farmers

Effective January 1, 2016, individuals and corporations that carry on a farming business can claim a non-refundable tax credit equal to 25% of the fair market value of qualifying agricultural products donated to a registered charity that provides food to families in need. The tax credit must be claimed in the same year that a charitable donation tax credit or deduction is claimed for the donation.

Personal tax measures

Personal income tax rates

No changes are proposed to personal income tax rates.

Table C illustrates the combined 2016 federal-Nova Scotia marginal rate of tax on various types of income for the top marginal rate of tax:

Table C

Type of income	Rate
Interest	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Regular dividends	46.97%

Amount for Young Children tax credit

This credit was introduced in 2006 to offset the federal taxable Universal Child Care Benefit (UCCB). Although the 2016 federal budget is eliminating the UCCB effective July 1, 2016, and replacing it with a non-taxable Child Care Benefit, the Nova Scotia government has announced that it will maintain the Amount for Young Children credit.

Other personal measures

Both the exemption from provincial personal income tax for Guaranteed Income Supplement recipients and the \$1,000 non-refundable age amount tax credit for low-income seniors will continue.

Other measures

Tobacco tax

Effective at 12:01 a.m. on April 20, 2016, the tobacco tax rate will increase by \$0.02 to \$0.2752 per cigarette, \$0.02 per gram of fine-cut tobacco and \$0.02 per pre-proportioned tobacco stick. The tobacco taxes inherent in the price of a carton of 200 cigarettes will increase by \$4 to \$55.04. In addition, the tax on cigars will increase from 56% to 60% of the suggested retail selling price of a cigar.

Paralleling federal measures for trusts and estates

The province will parallel recent federal changes for trusts and estates (originally announced in the federal government's 2014 budget). The new federal rules became effective on January 1, 2016. Effective for tax years ending after December 31, 2015, graduated personal income tax rates will apply only to trusts that are "graduated rate estates" or "qualified disability trusts." The top provincial marginal rate of 21% will apply to all other trusts and estates (top combined federal and Nova Scotia rate of 54%). Graduated personal income tax rates will only apply to eligible estates for the first 36 months after an individual's death and to testamentary trusts that are for the benefit of individuals who are eligible for the federal disability tax credit.

Please contact us if you have any questions about any of the tax measures discussed in this release.

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