

Budget 2019

# Nova Scotia

Making sense of what's next.

## March 2019

On March 26, 2019, Finance Minister Karen Casey tabled Nova Scotia's 2019-20 budget. Budget 2019 is the fourth consecutive balanced budget presented by Nova Scotia's Liberal government, with an estimated surplus of \$33.6 million. Budget 2019 includes no significant tax changes.

The estimates provided in Budget 2019 show that the province's surplus for the 2019-20 fiscal year is \$5.5 million less than the surplus projected for the same fiscal year in the previous budget.

The government is projecting surpluses over the next four fiscal years as follows:

Year	Projected surplus
2019-20	\$33.6 million
2020-21	\$51.9 million
2021-22	\$65.8 million
2022-23	\$73.4 million



## Tax measures

### Corporate tax rates

There are no changes proposed to the corporate tax rates or the \$500,000 small business limit.

Nova Scotia's corporate tax rates for 2019 are summarized as follows:

#### Combined federal and Nova Scotia corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2019-20	11.00%	31.00%	31.00%

### Personal income tax rates

Budget 2019 includes no changes to the personal tax brackets and rates. The rates for 2019 are as follows:

- 8.79% on the first tax bracket (up to \$29,590)
- 14.95% on the second tax bracket (from \$29,591 to \$59,180)
- 16.67% on the third tax bracket (from \$59,181 to \$93,000)
- 17.50% on the fourth tax bracket (from \$93,001 to \$150,000)
- 21.00% on the fifth tax bracket (over \$150,000)

The top combined federal Nova Scotia marginal tax rates for 2019 are as follows:

Taxable income	2019
Interest	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Regular dividends	48.28%

### Innovation Equity Tax Credit

The Innovation Equity Tax Credit (IETC) was introduced in the prior year's budget to encourage investors to make equity capital investments to support new and innovative businesses. Budget 2019 includes additional changes to this program. An individual may qualify for a personal tax credit equal to 35% of qualifying investments up to \$250,000 (45% for investments in selected sectors within ocean technology and the life sciences).

Effective April 1, 2019, the IETC will also be available for corporations. Eligible corporate investors may receive a 15% tax credit for qualifying investments up to \$500,000.

The holding period requirement for investments has been reduced from five years to four. Eligibility has been extended from common shares to also include preferred shares and convertible debentures.

The old Equity Tax Credit (ETC), which is equal to 35% of investments made by individuals up to \$50,000, will be phased out as of December 31, 2019.

The maximum IETC credits available for eligible individual investors (on a \$250,000 investment) is \$87,500 (35%) and \$112,500 (45%), compared to the maximum tax credit of \$17,500 available under the old ETC program. However, it is important to note that the new IETC is narrower in its application.

An eligible investee must be a corporation that is less than 10 years old and is developing or implementing new technologies or applying existing technologies in a new way to create new products, services or processes. Several other restrictions also apply.

### Venture Capital Tax Credit

Effective April 1, 2019, a 15% Venture Capital Tax Credit (VCTC) will be available for both individual and corporate investors who invest in a Venture Capital Corporation or Fund. This program encourages individuals and companies to invest in managed funds that support new and growing businesses in the province. Budget 2019 provides few details on the VCTC program, with further details likely forthcoming.

## Basic personal, spousal, eligible dependant and age amounts

The previous year's budget introduced an enhancement to several non-refundable tax credits, increasing the basic personal amount, the spousal amount and the amount for an eligible dependant from \$8,481 to \$11,481 and the age amount for low income seniors from \$4,141 to \$5,606. Budget 2019 will continue on with the same enhancements. It should be noted that the enhancements on all of the credits listed above begin to be phased out when taxable income exceeds \$25,000 and are completely eliminated once taxable income reaches \$75,000.

## Harmonized sales tax

Budget 2019 proposes no changes to the current 15% HST rate, which is composed of a federal component of 5% and a provincial component of 10%.

## Other notable changes

- **Student loan program** – Budget 2019 introduces a new student loan program which enhances the current Nova Scotia Loan Forgiveness Program. Under the new program, a student loan borrowed by an eligible Nova Scotian student studying at a Nova Scotian university will be forgiven if the student completes his/her undergraduate degree within five years. Upfront grants will no longer be available for Nova Scotian students studying outside of the province in programs that are available in the province.