



2018 Nova Scotia budget summary

March 2018

Tax alert

On March 20, 2018, Finance and Treasury Board Minister Karen Casey tabled Nova Scotia's 2018-19 budget (Budget 2018). This budget represents the third balanced budget in a row that has been presented by Nova Scotia's Liberal government and, while it provides no major tax changes at the personal or corporate levels, it outlines the province's commitment to investing in health care, education, early years, communities and inclusive economic growth.



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

Year	Projected surplus
2017-18	\$23.2 million
2018-19	\$29.4 million
2019-20	\$39.1 million
2020-21	\$60.9 million
2021-22	\$75.0 million

The province's debt levels are projected to remain relatively consistent over the next four years, with net debt levels increasing from \$15.05 billion in 2017-18 to \$15.53 billion in 2021-22.

Business tax measures

Corporate tax rates

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

Nova Scotia's corporate tax rates for 2018 are summarized in Table A below:

Table A

Nova Scotia corporate tax rates

	Nova Scotia	Combined federal and Nova Scotia
Small business tax rate	3.00%	13.00%
General corporate tax rate	16.00%	31.00%
Manufacturing and processing tax rate	16.00%	31.00%

Personal tax measures

Personal income tax rates

No changes to personal income tax rates are proposed. The rates for 2018 are as follows:

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

Table B illustrates the top combined federal-Nova Scotia marginal rate of tax on various types of income for 2018:

Table B

Nova Scotia combined marginal personal tax rates

Taxable income	2018
Interest	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Regular dividends	47.34%

Basic personal, spousal and eligible dependent amounts

Budget 2018 reconfirms the province's commitment to enhancing the basic personal amount, the spousal amount and the amount for an eligible dependant from \$8,481 to \$11,481. The maximum benefit is available to individuals with taxable income under \$25,000; individuals with taxable income between \$25,000 and \$75,000 will see their benefit reduced at a rate of \$0.06 per additional dollar of taxable income and those with taxable income above \$75,000 will not receive any benefit. This enhancement came into effect on January 1, 2018.

Age amount

Budget 2018 also reconfirms the province's commitment to enhancing the age amount credit for low income seniors from \$4,141 to \$5,606 effective for the 2018 taxation year. As with the basic personal amount, the maximum benefit of this credit is available to individuals with taxable income of less than \$25,000; individuals with taxable income between \$25,000 and 75,000 will see their credit reduced and individuals with taxable income above \$75,000 will not receive any benefit.

Medical Expense Tax Credit

Currently, individuals can claim a Medical Expense Tax Credit on eligible medical expenses exceeding the lesser of 3% of their income or \$1,637. This non-refundable credit can be claimed by an individual in respect of expenses incurred for themselves, their spouse, their dependant children under 18 years of age or their financially dependant relatives.

Previously, the eligible expenses incurred in relation to a financially dependant relative were capped at a maximum of \$10,000 per taxation year, but Budget 2018 removes this maximum.

Caregiver Benefit Program

As part of Budget 2018, the province has formalized its commitment to expand the existing Caregiver Benefit Program, which currently provides \$400 per month to individuals providing 20 hours or more per week of unpaid care to an adult with very high care needs.

In order to provide for greater access to the program, the eligibility criteria will be expanded and those caring for individuals with a combination of the following needs may now be eligible:

- Moderate to significant memory loss
- Problems with decision-making and communication
- High level of physical impairment
- Many challenges in managing personal needs
- Serious behavioural problems
- High risk of falls
- High risk of long-term care placement

The government has also indicated that it intends to expand eligibility for this program even further and a second phase of expansion will take place in the spring of 2019.

Income Assistance

Certain changes have been made to the province's Income Assistance program to provide greater benefit for low-income Nova Scotians.

First, in calculating the eligibility for Income Assistance it has been noted that child support payments will no longer be included.

Second, the province has committed an additional \$3 million in funding to increase the tax-free poverty reduction credit from \$250 to \$500 per year. This credit is provided quarterly to Income Assistance clients without children and with an annual income of \$12,000 or less.

Innovation Equity Tax Credit

Beginning January 1, 2019, a new Innovation Equity Tax Credit will be introduced. Under the current equity tax credit program, those who are considered to be eligible investors may qualify for a personal tax credit equal to 35% of their investment, to a maximum credit amount of \$17,500.

Budget 2018 does not contain any details relating to the new Innovation Equity Tax Credit, but notes that the new credit will be structured with a more narrow focus and contain a threshold that is consistent with similar programs in other provinces. The existing Equity Tax Credit will be phased out over time.

Other measures

Cannabis tax

Budget 2018 notes that Nova Scotia has agreed in principle to enter into a coordinated framework with the federal government regarding the taxation of cannabis. This framework will impose excise duties on flowering material used in cannabis products as follows:

- A federal excise duty of \$0.25 per gram
- A provincial excise duty of \$0.75 per gram

Both the federal and provincial duties will be collected by the federal government.