

Nova Scotia Budget Report

On April 27, 2017, the Honourable Randy Delorey presented his second budget as Nova Scotia's Finance and Treasury Board Minister. As projected, the 2016-17 fiscal year will finish in a surplus, and a surplus is also projected for 2017-18. With an election around the corner, this budget includes new spending on infrastructure, healthcare and education.

After several years of deficits, a surplus of \$41 million is reported for 2016-17, which is higher than the previously estimated net surplus of \$17 million. A total surplus of \$127 million was estimated for 2016-17, but that amount included a one-time revenue amount of \$110 million made up of federal and municipal contributions for the convention centre in Halifax. Due to the changing timeframe for completion of the convention centre, the government has moved this one-time funding amount to the 2017-18 fiscal year. The forecast surplus for 2017-18 is \$136 million, for a net surplus of \$26 million.

This budget allocates significant spending towards infrastructure development including \$390 million over seven years to make major improvements to certain highways. Infrastructure spending also includes improving high-speed internet throughout rural Nova Scotia.

Increased healthcare spending will provide improved access to health care teams, including greater access to orthopedic surgeons and mental health programs. Assistance will also be provided to aging Nova Scotians. One way this will be accomplished is by increased access to home care.

Education spending increases focus on early learning programs, as well as incentives to help new post-secondary graduates find work and to provide tuition support to technical apprentices.

The government also plans to help businesses by investing to revitalize key tourism sites and providing greater access to funds that will support innovation initiatives and exports of Nova Scotia agricultural products.

As previously announced, the budget proposes to increase the annual small business limit from \$350,000 to \$500,000 effective January 1, 2017. Corporate income below this threshold amount benefits from a lower tax rate. Low and middle income Nova Scotia residents will benefit from an increase in certain personal tax amounts starting in 2018. These include the basic personal amount, spousal amount, eligible dependant amount and age amount.

No personal or corporate tax rate increases were announced in the budget.

The following is a summary of the more important items of interest to our clients.



HIGHLIGHTS

- Surplus of \$41 million projected for 2016-17 fiscal year
- Surplus of \$136 million forecast for 2017-18 fiscal year (net surplus of \$26 million)
- Small business limit increased to \$500,000
- Basic personal amounts increased for low and middle income taxpayers
- No income tax or HST rate increases

<i>Nova Scotia Budget Summary - Statement of Operations</i>			
<i>(in millions \$)</i>			
	Original Estimate 2016/2017	Revised Forecast 2016/2017	Estimate 2017/2018
Revenue	9,882	9,784	10,208
Expenses	(9,304)	(9,315)	(9,666)
Debt servicing costs	(842)	(830)	(850)
Consolidation and accounting adjustments for governmental units	9	16	65
Net income from government business enterprises	382	386	379
Contribution to fiscal capacity for provincial health complex	(110)		(110)
Provincial surplus	17	41	26

PERSONAL TAX MEASURES

Non-Refundable Credit Amounts Increased for Low-to Middle-Income Earners

The budget announced an enhancement to certain non-refundable credit amounts for 2018 and subsequent tax years. The basic personal amount, spousal amount and eligible dependant amount will increase by \$3,000, from \$8,481 to a maximum amount of \$11,481, for those taxpayers with taxable income less than \$25,000. The \$3,000 enhanced benefit will be phased out for those with taxable income between \$25,000 and \$75,000, at a rate of 6 cents for every dollar of taxable income, and taxpayers with taxable income over \$75,000 will not receive any benefit from the enhancement.

The maximum age amount will increase \$1,465, from \$4,141 to \$5,606, for the 2018 and subsequent taxation years. Similar to the above, the maximum benefit from this enhancement will be realized by taxpayers with taxable income of less than \$25,000, and will be phased out between taxable incomes of \$25,000 and \$75,000.

BUSINESS TAX MEASURES

Small Business Threshold Increased

On March 28, 2017, the provincial government announced that it would increase the small business threshold from \$350,000 to \$500,000. The budget confirmed this increase, and announced that it would be effective January 1, 2017. No additional changes were announced to the small business tax rate, which will remain at 3% for 2017. The combined federal and provincial small business tax rate for Nova Scotia for 2017 will also remain unchanged at 13.5%.

OTHER MEASURES

Motive Fuel Tax Exemption for Mining and Quarrying Announced

Currently, motive fuel exemptions are available for such purposes as fishing, farming, and logging operations; commercial vessels and ferries; provincial, municipal, school board and public works vehicles; equipment used for firefighting; motive fuel purchased by status Indians on a reserve; and locomotives. The budget proposes to extend these fuel rebates by providing an exemption from motive fuel tax for equipment used in the mining and quarrying sector. This measure will be effective April 1, 2017.

HOW NOVA SCOTIA COMPARES

The following chart compares top personal and corporate tax rates and sales taxes for all provinces and territories, as announced to April 27, 2017.

	Top 2017 Personal Rates %	2017 Corporate Rates			2017 Provincial Sales Tax %
		General %	M&P %	Small Business %	
B.C.	47.70	26.00	26.00	12.50 ⁽²⁾	7.00
Alta.	48.00	27.00	27.00	12.50	-
Sask.	47.75	27.00 ⁽¹⁾	25.00 ⁽¹⁾	12.50	6.00 ⁽⁷⁾
Man.	50.40	27.00	27.00	10.50	8.00
Ont.	53.53	26.50	25.00	15.00	8.00 ⁽⁸⁾
Qué.	53.31	26.80	26.80	18.50 ⁽³⁾	9.975 ⁽⁹⁾
N.B.	53.30	29.00	29.00	13.50 ⁽⁴⁾	10.00 ⁽⁸⁾
N.S.	54.00	31.00	31.00	13.50	10.00⁽⁸⁾
P.E.I.	51.37	31.00	31.00	15.00	10.00 ⁽⁸⁾
N.L.	51.30	30.00	30.00	13.50	10.00 ⁽⁸⁾
Yukon ⁽⁵⁾	48.00	30.00	17.50	13.50 ⁽⁶⁾	-
N.W.T.	47.05	26.50	26.50	14.50	-
Nunavut	44.50	27.00	27.00	14.50	-

- (1) The general business tax rate will decrease to 26.5% and the M&P tax rate will decrease to 24.5% effective July 1, 2017.
- (2) The small business tax rate decreased from 13% effective April 1, 2017.
- (3) Québec provides a rate reduction from the small business rate for eligible manufacturing small and medium-sized enterprises (SMEs). Where certain conditions are met, the maximum reduction available is 4%, for a combined rate of 14.5%. Note that a lesser reduction from the small business rate may be available to certain manufacturing SMEs where some, but not all conditions are met.
- (4) The small business tax rate decreased from 14% effective April 1, 2017.
- (5) Rates do not reflect changes in tax rates announced April 27, 2017.
- (6) The tax rate for M&P profits eligible for the small business deduction is 12%.
- (7) The PST increased from 5% effective March 23, 2017.
- (8) As part of the HST (combined rates are 15% in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland & Labrador and 13% in Ontario).
- (9) The QST system is harmonized with the GST, though two separate tax systems remain – the GST and the amended QST. The combined rate is 14.975%.

The information in this publication is current as of April 27, 2017.

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