

NOVA SCOTIA BUDGET REPORT

“Balanced Budget 2013-14”

HIGHLIGHTS

- Deficit of \$356 million projected for 2012-13 fiscal year
- Balanced budget for 2013-14 fiscal year
- Small business rate reduction offset by decrease in small business limit
- HST rate reductions to proceed

On April 4, 2013, the Honourable Maureen MacDonald presented her first budget as Minister of Finance. The government has completed its four-year plan to balance the budget, and has confirmed earlier announcements that it is bringing the province’s finances back to balance in the 2013-14 fiscal year. Under the plan, spending restraint has helped the government achieve its goal, which included keeping departmental spending under-budget and holding the average annual growth rate in spending relatively constant.

The deficit reported for 2012-13 is \$356 million which has increased from the \$211 million deficit that was forecast last year. The increased deficit is due in part to lower personal income tax revenues. With the books balanced going forward, the government is forecasting small surpluses of \$16 million for 2013-14 and \$18 million for 2014-15.

The government will continue to control expenditures while maintaining government services. Investments will be made in health care. This includes funding insulin pumps for younger individuals and expanding dental coverage for children. This budget also continues to support employment initiatives and education in the province.

In the days leading up to the budget, the government released details of certain tax changes. Today, the budget confirmed that low-income seniors will benefit from tax breaks. As well, corporations will see a reduction of the small business tax rate to 3%, effective January 1, 2014. However, this rate reduction will be offset with a decrease in the small business limit to \$350,000.

Today’s budget confirms that the province will proceed with the 1% HST rate reductions for 2014 and 2015 that were originally announced last year. Lastly, there will be an increase in tobacco taxes.

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

<i>Nova Scotia Budget Summary - Statement of Operations</i>			
<i>(in millions \$)</i>			
	Original Estimate 2012/2013	Revised Forecast 2012/2013	Estimate 2013/2014
Revenue	8,919	8,830	9,131
Expenses	(8,679)	(8,708)	(8,635)
Debt servicing costs	(882)	(897)	(889)
Consolidation and accounting adjustments for governmental units	80	69	59
Net income from government business enterprises	351	350	350
Provincial surplus (deficit)	(211)	(356)	16

PERSONAL TAX CHANGES

Helping Low-Income Seniors

Certain low-income seniors receiving the Guaranteed Income Supplement have benefited from not having to pay provincial income tax, resulting in an average of \$450 being put back into the hands of seniors who need it most. The budget announced that, starting January 1, 2014, the province intends to increase the number of seniors exempt from having to pay provincial income tax from 17,000 to 25,000. An additional 4,000 seniors will also be able to take advantage of a new \$1,000 non-refundable Age Amount tax credit.

In addition, the budget proposes to increase the maximum property tax rebate available to low-income seniors by \$200. The Property Tax Rebate for Seniors is designed to help eligible seniors remain in their homes by providing them with an annual rebate on their municipal property taxes. Currently, the program provides eligible homeowners with a 50% rebate on the municipal property taxes paid in the previous year, up to a maximum of \$600 per year. This measure would increase the amount of the rebate available to a total of \$800.

BUSINESS TAX CHANGES

Tax Cut for Small Businesses

For the fourth year in a row, the government will reduce the tax rate that applies to active business income earned by small businesses. As of January 1, 2014, the rate of corporate income tax for small businesses will be reduced from 3.5% to 3%, so that the combined federal and Nova Scotia tax on active small business income will be 14%. However, countering this change in the tax rate will be a drop in the threshold limit under which the small business tax rate will apply. This threshold will be reduced from \$400,000 to \$350,000. Businesses with income of \$400,000 or more will not benefit from the income tax rate change, as the two changes will offset each other.

SALES AND OTHER TAX CHANGES

HST Rate Reductions

On April 2, 2012, Premier Darrell Dexter announced that the Nova Scotia component of the HST will be reduced by 1 percentage point in both 2014 and 2015. Today's budget confirms the government's intention to keep its promise by reducing the combined HST rate from 15% to 14% in 2014, and to 13% in 2015.

Tobacco Tax

Effective April 5, 2013, the cost of tobacco products will increase by 2 cents per cigarette or gram of fine-cut tobacco.

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 4, 2013.

	Top 2013 Personal Rates %	2013 Corporate Rates			2013 Provincial Sales Tax %
		General %	M&P %	Small Business %	
B.C.	43.70	26.00 ⁽¹⁾	26.00 ⁽¹⁾	13.50	7.00 ⁽⁷⁾
Alta.	39.00	25.00	25.00	14.00	-
Sask.	44.00	27.00	25.00	13.00	5.00
Man.	46.40	27.00	27.00	11.00	7.00
Ont.	49.53/46.41 ⁽²⁾	26.50	25.00	15.50	8.00 ⁽⁸⁾
Qué.	49.97	26.90	26.90	19.00	9.975 ⁽⁹⁾
N.B.	45.07	25.00 ⁽³⁾	25.00	15.50	8.00 ⁽⁸⁾
N.S.	50.00	31.00	31.00	14.50⁽⁴⁾	10.00⁽⁸⁾
P.E.I.	47.37	31.00	31.00	15.5 ⁽⁵⁾	9.00 ⁽¹⁰⁾
N.L.	42.30	29.00	20.00	15.00	8.00 ⁽⁸⁾
Yukon	42.40	30.00	17.50	15.00 ⁽⁶⁾	-
N.W.T.	43.05	26.50	26.50	15.00	-
Nunavut	40.50	27.00	27.00	15.00	-

- (1) The general and M&P rate for B.C. increased to 26% from 25% effective April 1, 2013.
- (2) The top rate includes the additional tax on taxable income in excess of \$509,000. The combined tax rate on regular taxable income over \$135,054, but not exceeding \$509,000 remains at 46.41%.
- (3) The general rate for New Brunswick will increase to 27% effective July 1, 2013.
- (4) The small business rate for Nova Scotia was reduced to 14.50% from 15.00% effective January 1, 2013.
- (5) The small business rate for P.E.I. increased to 15.5% from 12% effective April 1, 2013.
- (6) The tax rate for M&P profits eligible for the small business deduction is 13.5%.
- (7) The PST rate of 7% was re-implemented effective April 1, 2013 to replace the HST of 12% (which consisted of a 5% GST component and a 7% provincial component).
- (8) As part of the HST (combined rates are 15% in Nova Scotia and 13% in Ontario, New Brunswick and Newfoundland & Labrador).
- (9) The QST system became harmonized with the GST effective January 1, 2013, though two separate tax systems remain - the GST and the amended QST. Note that effective January 1, 2013, while QST no longer applies on GST, the QST rate increased to 9.975%.
- (10) An HST rate of 14% (consisting of a 5% GST component and 9% provincial component) was implemented effective April 1, 2013 to replace the PST rate of 10%.

The information in this publication is current as of April 4, 2013.

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