



TAX HIGHLIGHTS FROM THE 2020 NOVA SCOTIA BUDGET

Finance Minister Karen Casey tabled the 2020 Nova Scotia provincial budget on February 25, 2020. The budget projects a surplus of \$55 million for the 2020–2021 fiscal year and continuing surpluses for the remaining years of the government’s four-year fiscal plan. The forecast surplus for the soon-to-be-completed 2019–2020 fiscal year now stands at \$41.1 million compared to the 2019 budget projection of \$33.6 million.

On the income tax side, there were no increases or decreases to personal tax rates for 2020. There was a decrease to corporate tax rates for 2020 as well as some changes to business tax credits.

Following is a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2020 budget leaves personal income tax rates unchanged from 2019. Nova Scotia does not index its tax brackets to reflect the impact of inflation. The table below shows Nova Scotia tax rates and brackets for 2020.

Taxable income range	2020 tax rates
First \$29,590	8.79%
\$29,591 – \$59,180	14.95%
\$59,181 – \$93,000	16.67%
\$93,001 – \$150,000	17.50%
\$150,001 and over	21.00%

The table below shows the 2020 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2020 combined tax rates
Regular income	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Non-eligible dividends	48.27%

CORPORATE TAX MATTERS

Corporate income tax rates

The budget proposes to decrease the general corporate tax rate by 2% to 14% and to decrease the small business tax rate by 0.5% to 2.5% effective April 1, 2020. The table below shows Nova Scotia tax rates and the small business limit effective April 1, 2020.

Category	2020 tax rates
General rate	14%
Manufacturing and processing rate	14%
Investment income rate	14%
Small business rate	2.5%
Small business limit	\$500,000

The table below shows the 2020 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian-controlled private corporation (CCPC) from April 1, 2020.

Type of income	2020 combined tax rates
Small business income	11.5%
Active income over \$500,000	29.0%
Manufacturing and processing income	29.0%
Investment income	52.7%

Digital Animation Tax Credit

The budget proposes extension of the DATC to December 31, 2025, which was originally set to expire on June 30, 2020.

Digital Media Tax Credit

The budget proposes extension of the DMTC to December 31, 2025, which was originally set to expire on December 31, 2020.

OTHER PROPOSALS

Permitting and taxation of vaping products

The budget proposes the introduction of a tax on vaping products effective September 15, 2020. The tax will be \$0.50/ml for liquid and 20% of retail value of all devices. Retailers will be required to obtain permits to sell vaping products effective July 1, 2020.

Tobacco tax measures

Effective February 26, 2020, there will be an increase of two cents on cigarettes to 29.52 cents from 27.52 cents. There will be a 15% increase in tax on cigars to 75% of the suggested retail price from 60%. Tax on fine cut and other forms of tobacco increased to 40 cents per gram from 26 cents per gram for fine cut and 18.52 cents per gram for other forms of tobacco.

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