



TAX HIGHLIGHTS FROM THE 2019 NOVA SCOTIA BUDGET

Finance Minister Karen Casey tabled the 2019 Nova Scotia provincial budget on March 26, 2019. The budget projects a surplus of \$33.6 million for the 2019–2020 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 2018–2019 fiscal year now stands at \$28.4 million compared to the 2018 budget projection of \$29.4 million.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2019. However, there were some changes to personal and 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 2019 budget leaves personal income tax rates unchanged from 2018. 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 2019.

Taxable income range	2019 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 2019 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2019 combined tax rates
Regular income	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Non-eligible dividends	48.27%

Innovation equity tax credit

As previously announced in the 2018 budget, the province introduced the Innovation Equity Tax Credit (IETC), which became effective January 17, 2019, for individuals. Eligible investments include common shares, preferred shares and convertible debentures of qualifying Nova Scotia corporations. The maximum investment limit for individuals is \$250,000. The tax credit rate is 35% for investments in a broad range of sectors and 45% for investments in selected sectors in ocean technology and the life sciences. As a result, the maximum tax credit available is either \$87,500 or \$112,500, depending on the sector invested in.

Venture capital tax credit

The budget proposes a Venture Capital Tax Credit for individuals, effective April 1, 2019. This 15% tax credit will be available to individuals who invest in a qualifying Venture Capital Corporation or Fund.

Equity tax credit

The budget proposes to phase out the current Equity Tax Credit for individuals, effective December 31, 2019. This 35% tax credit is available to individuals who invest up to \$50,000 in eligible Nova Scotia corporations. Applications from eligible corporations will continue to be accepted until December 31, 2019.

CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes proposed to corporate income tax rates. The table below shows Nova Scotia tax rates and the small business limit for 2019.

Category	2019 tax rates
General rate	16%
Manufacturing and processing rate	16%
Investment income rate	16%
Small business rate	3%
Small business limit	\$500,000

The table below shows the 2019 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian-controlled private corporation (CCPC).

Type of income	2019 combined tax rates
Small business income	12.0%
Active income over \$500,000	31.0%
Manufacturing and processing income	31.0%
Investment income	54.7%



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Innovation equity tax credit

The budget proposes extension of the IETC to corporations, effective April 1, 2019. Eligible investments include common shares, preferred shares and convertible debentures of qualifying Nova Scotia corporations. The maximum investment limit for corporations is \$500,000. The tax credit rate is 15%. As a result, the maximum tax credit available is \$75,000.

Venture capital tax credit

The budget proposes a Venture Capital Tax Credit for corporations, effective April 1, 2019. This 15% tax credit will be available to corporations that invest in a qualifying Venture Capital Corporation or Fund.

Capital cost allowance

The budget proposes changes to the province's capital cost allowance rules to parallel the accelerated capital cost allowance provisions introduced by the federal government in November 2018. These accelerated rates will allow businesses to write off their capital investments more quickly.

OTHER PROPOSALS

Nova Scotia student loans

Eligible Nova Scotia students studying at Nova Scotia universities will no longer have to repay their Nova Scotia student loans if they complete their undergraduate degree within five years, regardless of the amount owing. Upfront grants to Nova Scotia students studying out of province in programs available in the province will be phased out.

Minimum wage

Effective April 1, 2019, the minimum wage in Nova Scotia will increase by 55 cents per hour, to \$11.55 per hour. The government also intends to increase the minimum wage an additional 55 cents per hour in each of the next two years.



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