



## HIGHLIGHTS FROM THE NOVA SCOTIA BUDGET

Finance Minister Labi Kousoulis tabled the 2021-2022 Nova Scotia provincial budget on March 25, 2021.

Budget 2021-2022 projects a deficit of \$584.9 million, which is a \$120.6 million improvement over the forecasted \$705.5 million deficit for the soon-to-be-completed 2020-2021 fiscal year. As the fiscal impacts of the pandemic abate over the four-year planning horizon, the government projects steadily declining deficits of \$217.5 million in 2022-2023, \$175.6 million in 2023-2024 and is expecting to return to a surplus of \$10.5 million in 2024-2025.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2021.

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 2021-2022 budget leaves personal income tax rates unchanged from 2020. 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 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$29,590	8.79%
\$29,591 – \$59,180	14.95%
\$59,181 – \$93,000	16.67%
\$93,001 – \$150,000	17.5%
Over \$150,000	21%

The table below shows the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	54%
Capital gains	27%
Eligible dividends	41.58%
Non-eligible dividends	48.28%

## CORPORATE TAX MATTERS

### Corporate income tax rates

There were no changes to corporate income tax rates announced in the budget. The table below shows Nova Scotia tax rates and the small business limit for 2021.

CATEGORY	2021 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 2021 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	11.5%
Active income over \$500,000	29%
Manufacturing and processing income	29%
Investment income	52.67%

## OTHER INITIATIVES

### Equity Tax Credit for Community Economic Development Investment Funds (CEDIFs)

The Equity Tax Credit was phased out as of December 31, 2019, with the exception of investments in CEDIFs. The tax credit for these investments is scheduled to expire on February 28, 2022. The Budget proposes to extend this tax credit for a 10- year period.

The tax credit for CEDIFs provides a 35% tax credit for individuals who invest up to \$50,000 in a taxation year and hold their shares for a 5-year period. Rollover tax credits provide an additional 20% when individuals retain their shares for an additional 5 years (10 years in total) and a further 10% when individuals retain their shares for a period of 15 years.

### Poverty Reduction Credit

The government proposes to increase the eligibility threshold for the Poverty Reduction Credit from \$12,000 to \$16,000. The Poverty Reduction Credit provides tax-free quarterly payments of \$125.00 issued in July, October, January, and April to eligible Nova Scotians.

Eligibility is based on the following:

- Individuals and couples that received Income Assistance from January to December of the previous year. Only one person of the married or common-law couple can receive the credit on behalf of the family.
- Income Tax Return filed for the previous tax year.
- As of July 2021, the income threshold will be increased to an annual adjusted income below \$16,000 in the previous tax year.
- No children up to the time eligibility is determined.

## WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

**For more information, we encourage you to speak to your advisor and visit [ci.com](https://www.ci.com)**

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