

# Global Tax Alert

News from EY Americas Tax

## Canada: Nova Scotia issues budget 2020-21

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## Executive summary

On 25 February 2020, Nova Scotia Minister of Finance and Treasury Board Karen Casey tabled the province's fiscal 2020-21 budget. The budget contains several tax measures affecting individuals and corporations.

The Minister anticipates a surplus of CA\$55 million<sup>1</sup> for 2020-21 and projects surpluses for each of the next three years.

The following is a brief summary of the key tax measures.

## Detailed discussion

### Business tax measures

#### Corporate tax rates

As announced by the Premier of Nova Scotia on 12 February 2020, effective 1 April 2020, the general corporate tax rate will decrease to 14% from 16%. The small business rate will be reduced from 3% to 2.50%, also effective 1 April 2020. No changes are proposed to the \$500,000 small-business limit.

Nova Scotia's current and proposed future corporate income tax rates are summarized in Table A.

**Table A – 2020 Nova Scotia (NS) corporate tax rates**

	Current NS Rate	2020	
		NS	Federal and NS combined
Small-business tax rate*	3.00%	2.62%	11.62%
General corporate tax rate*	16.00%	14.50%	29.50%

\* The small-business and general corporate tax rates are based on a 31 December year-end.

## Other business tax measures

The Minister also proposed the following business tax measures:

- The Digital Media Tax Credit was extended until 31 December 2025. The credit was previously legislated to expire on 31 December 2020.
- The Digital Animation Tax Credit was extended until 31 December 2025. The credit was previously legislated to expire on 30 June 2020.

## Personal tax

### Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2020 Nova Scotia personal tax rates are summarized in Table B.

**Table B – 2020 Nova Scotia personal tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate
\$0 to \$29,590	\$29,591 to \$59,180	\$59,181 to \$93,000	\$93,001 to \$150,000	Above \$150,000
8.79%	14.95%	16.67%	17.50%	21.00%

For taxable income in excess of \$150,473, the 2020 combined federal-Nova Scotia personal income tax rates are outlined in Table C.

**Table C – Combined 2020 federal and Nova Scotia personal tax rates**

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$150,474 to \$214,368**	50.22%	36.36%	43.93%
Above \$214,368	54.00%	41.58%	48.27%

\* The rate on capital gains is one-half the ordinary income tax rate.

\*\* An additional federal basic personal amount may be available for individuals with taxable income below \$214,368. The additional tax credit is \$140 for individuals with taxable income below \$150,474; this additional amount is gradually phased out for individuals with taxable income between \$150,474 and \$214,368, resulting in an additional 0.22% to 0.30% of federal income tax on taxable income in this bracket.

## Other tax measures

### Vaping product tax

- ▶ Effective 15 September 2020, the province intends to introduce a tax on vaping products. Vaping substances will be taxed at a rate of \$0.50 per millilitre. Vaping devices and components will be taxed at rate of 20% of their suggested retail value.

### Tobacco product tax

- ▶ Effective 26 February 2020, the province will increase the tax rates on tobacco products, including a 2 cent per unit increase on cigarettes to 29.52 cents per unit, a 14 cent per gram increase on fine cut tobacco to 40 cents per gram, and a 21.48 cent per gram increase on other tobacco products to 40 cents per gram.
- ▶ The tax on cigars will rise from 60% of the suggested retail selling price to 75% of the suggested retail selling price.

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## Endnote

1. Currency references in this Alert are to CA\$.

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For additional information with respect to this Alert, please contact the following:

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