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Tax Alert - Canada

Nova Scotia budget 2020-21

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

"A new decade begins with renewed confidence and a continued commitment in our growing diversity and our strong and resilient economy.

We are presenting our fifth consecutive balanced budget with Budget 2020-21 *Better Together*."

Nova Scotia Minister of Finance and Treasury Board Karen Casey

2020-21 budget speech

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 \$55 million for 2020-21 and projects surpluses for each of the next three years.

Following is a brief summary of the key tax measures.

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 14.00% from 16.00%. The small business rate will be reduced from 3.00% 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 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.

Learn more

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