

Tax highlights from the 2012 Nova Scotia budget

Finance Minister Graham Steele tabled the 2012 Nova Scotia provincial budget on April 3, 2012. After an initial forecast of a \$390 million deficit, it is estimated that there will be a deficit of \$261 million for the just-completed 2011-2012 fiscal year. The \$129 million improvement comes primarily from a \$72 million decrease in departmental spending and a \$47 million reduction in debt service costs. This budget projects a deficit of \$211 million for the 2012-2013 fiscal year with a small surplus of \$15 million in the following year. The minister indicated that this was year three of the four-year plan for getting the province “back to balance” and that once the province gets back into surplus territory next year, the government intends to reduce the harmonized sales tax (HST) by 1% in each of 2014 and 2015.

On the tax side, there were no changes to personal income tax rates, but there was another decrease in the small business corporate tax rate.

The following pages are 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

The 2012 budget leaves personal income rates unchanged from 2011. Nova Scotia does not index its tax brackets to reflect the impact of inflation. The table below shows Nova Scotia tax rates for 2012.

Taxable income range	2012 tax rates
\$8,482 - \$29,590	8.79%
\$29,591 - \$59,180	14.95%
\$59,181 - \$93,000	16.67%
\$93,001 - \$150,000	17.50%
Over \$150,000	21.00%

Spouse amount and dependant amount

The spouse amount is a non-refundable tax credit claimed by filers with a spouse or common-law partner, while the dependant amount is a credit for individuals who do not have a spouse or common-law partner but who do have a child under the age of 18. The budget proposes to make these two amounts equal to the basic personal amount by increasing them by \$1,280, from \$7,201 to \$8,481, effective for the 2012 tax year.

Disability amount

The disability amount is a non-refundable tax credit claimed by filers who are disabled or who have a dependant with a disability. The budget proposes to make this amount equivalent to the federal credit by increasing the amount by \$2,306, from \$5,035 to \$7,341, effective for the 2012 tax year.

Affordable living tax credit

The budget proposes to increase this refundable tax credit to \$255 for an individual adult and to \$60 for a dependant child, effective July 1, 2012.

Poverty reduction credit

The budget proposes to increase this refundable tax credit to \$250 per year, effective July 1, 2012.

Low-income tax reduction

The budget confirms the government's commitment to this program, which results in a full refund of provincial taxes paid by seniors who are in receipt of the Guaranteed Income Supplement (GIS). Seniors do not have to apply for the refund; however, they must file an income tax return annually in order to receive the rebate.

Equity tax credit and labour sponsored venture capital tax credit

Both of these tax credits were scheduled to expire on February 29, 2012. The budget proposes a 10-year extension for each credit, to February 28, 2022.

CORPORATE TAX MATTERS

Corporate income tax rates

This budget proposes that, for the third consecutive year, the tax rate on eligible small business income will be reduced by 0.5%, decreasing to 3.5% on January 1, 2013. The table below shows Nova Scotia tax rates and the small business limit for 2012.

Category	2012 tax rates
General rate	16%
Manufacturing & processing rate	16%
Small business rate	4%
Small business limit	\$400,000

Large corporations capital tax

The budget confirms the government's intention to eliminate the large corporations capital tax (LCT), effective July 1, 2012.

OTHER PROPOSALS

Harmonized sales tax

The budget announced that the government intends to reduce the HST by 1% in each of 2014 and 2015, once the budget is back in a surplus position. This will bring the HST rate back to the 13% level that was in effect before the July 1, 2010 increase to 15%.

HST rebate for first-time homebuyers

The budget proposes to increase the HST rebate for first-time home buyers, effective for purchase agreements entered into after March 31, 2012. There are no immediate details available on the magnitude of the reduction to the current 18.75% rebate on the provincial portion of the HST.

Graduate placement program

The budget proposes a new job creation program to encourage Nova Scotia students to stay in the province after graduation. The program will provide a subsidy equal to 50% of wages earned in the first three months of employment, up to a maximum of \$7,500. No further details were released.

Strategic co-operative education incentive

This program aims to increase the number of work placement opportunities for university and community college co-op students. The program will provide organizations with an incentive equal to 50% of the required minimum hourly wage rate of \$15 per hour. No further details were released.

WE CAN HELP

Your Assante 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. Among the tools at their disposal to assist you, your advisor can access United Financial's Wealth Planning Group, a multi-disciplinary group of accountants, lawyers, and financial planners, who are available to assist them in serving your needs.

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