

Tax highlights from the 2013 Nova Scotia budget

Finance Minister Maureen MacDonald tabled the 2013 Nova Scotia provincial budget on April 4, 2013. After an initial forecast of a \$211 million deficit, it is estimated that there will be a deficit of \$356 million for the just-completed 2012-2013 fiscal year, mainly due to lower than expected personal income tax revenues.

The minister indicated that this was the final year of the four-year plan for getting the province “back to balance” and that this is a balanced budget. However, some critics have pointed out that the budget excludes \$36 million of 2013-2014 spending on universities which was recorded in the 2012-2013 fiscal year, resulting in an increase to the prior year’s deficit. This budget projects a small surplus of \$16.4 million for the 2013-2014 fiscal year with continuing small surpluses in the following three years.

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. While the government increased tobacco taxes, it also confirmed its intention to reduce the harmonized sales tax (HST) over the next two years.

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 2013 budget leaves personal income rates unchanged from 2012. Nova Scotia does not index its tax brackets to reflect the impact of inflation. The table below shows Nova Scotia tax rates for 2013.

Taxable income range	2013 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%

Notwithstanding its previous promise to remove the highest tax bracket once the budget was balanced, the 21% tax bracket will be maintained for 2013.

Affordable living tax credit

The budget confirms the government's intention to retain this refundable tax credit. Households earning less than \$30,000 are eligible to receive a maximum of \$255 plus \$60 per dependant child. Household income in excess of \$30,000 will result in a reduction to the credit of 5% per \$1 of income until the credit is fully phased out at a household income level of \$35,100.

Low-income tax reduction

The budget confirms the government's intention to continue 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.

Non-refundable age amount tax credit

The budget proposes a new \$1,000 non-refundable age amount tax credit for seniors with taxable incomes under \$24,000. This new credit will be effective for the 2014 tax year.

CORPORATE TAX MATTERS

Corporate income tax rates

This budget proposes that, for the fourth consecutive year, the tax rate on eligible small business income will be reduced by 0.5%, decreasing to 3.0% on January 1, 2014. The table below shows Nova Scotia tax rates and the small business limit for 2013.

Category	2013 tax rates
General rate	16%
Manufacturing & processing rate	16%
Small business rate	3.5%
Small business limit	\$400,000

Small business limit

The small business limit is the amount that a corporation can earn from an active business in order to be eligible for the lower small business corporate income tax rate. The budget proposes to reduce this threshold from \$400,000 to \$350,000, effective January 1, 2014.

Film tax credits

The budget proposes to extend the expiry date of the digital media tax credit by one year, from December 31, 2012 to December 31, 2013. In addition, the budget confirms the government's intention to continue to support the film industry tax credit program.

OTHER PROPOSALS

Harmonized sales tax

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

Point-of-sale HST rebates

The government indicated its intention to continue providing point-of-sale rebates on the provincial portion of the HST on the following products:

- children's clothing
- children's footwear
- children's diapers, and
- feminine hygiene products.

In addition, rebates are available for books and residential energy.

HST rebate for first-time homebuyers

The budget notes that the HST rebate for first-time home buyers, which was effective for purchase agreements entered into after March 31, 2012, will be 18.75% (to a maximum of \$3,000) of the provincial portion of the HST.

Tobacco tax

The budget increases the tobacco tax effective at 12:01 a.m. on April 5, 2013. The rates will increase as follows:

- on cigarettes, from 21.52 cents to 23.52 cents each (from \$43.04 to \$47.04 per carton);
- on pre-proportioned tobacco sticks, from 21.52 cents to 23.52 cents each; and
- on cut and loose tobacco, from 20 cents per gram to 22 cents per gram.

Property tax rebate

The budget proposes to increase the maximum property tax rebate for seniors by \$200 to \$800.

Oral health program

The budget proposes to extend free basic dental coverage for children to more families by increasing the qualifying age for coverage. The maximum qualifying age increases from 10 to 13, starting in the 2013-2014 fiscal year.

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. The resources available to you and your advisor include United Financial's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

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