



TaxNewsFlash

Canada

Highlights of the 2025 Nova Scotia Budget

February 18, 2025

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Nova Scotia's Finance Minister delivered the province's 2025 budget on February 18, 2025. The budget anticipates a surplus of \$82.4 million for 2024-25 and projects deficits of \$697.5 million for 2025-26 and \$522.5 million for 2026-27. The budget announces that Nova Scotia will decrease its small business income tax rate to 1.5% (from 2.5%) and increase the small business income threshold to \$700,000 (from \$500,000), effective April 1, 2025. The budget also extends the eligibility for the maximum amount of certain personal non-refundable tax credits, among other changes.

Business tax changes

Corporate income tax rates

The budget decreases Nova Scotia's small business income tax rate to 1.5% (from 2.5%) and expands eligibility for the lower rate by increasing the small business income threshold to \$700,000 (from \$500,000). These changes are effective April 1, 2025. As a result, Nova Scotia's corporate income tax rates are as follows for 2025:

Nova Scotia Corporate Income Tax Rates	
	2025
General	14%
M&P	14%
Small business	2.5% ¹ /1.5% ²

¹ On first \$500,000 of active business income prior to April 1, 2025.

² Nova Scotia's small business income tax rate will decrease to 1.5%, and this rate will apply on the first \$700,000 of active business income, effective April 1, 2025.

In addition, the combined Nova Scotia and federal corporate income tax rates are as follows:

Combined Federal and Nova Scotia Corporate Income Tax Rates		
		2025
General		29%
M&P		29%
Small business	First \$500,000 of active business income	11.5%/10.5% ¹
	\$500,001 to \$700,000 of active business income ²	16.5% ¹

¹ Nova Scotia's small business income tax rate will decrease to 1.5%, effective April 1, 2025.

² Nova Scotia's small business income threshold will increase to \$700,000 of active business income, effective April 1, 2025.

Personal tax changes

Personal income tax rates

The budget does not announce changes to personal tax rates. As a result, Nova Scotia's personal income tax rates effective January 1, 2025 remain as follows:

Personal Combined Federal/Nova Scotia Top Marginal Rates	
	2025
Interest and regular income	54.00%
Capital gains	27.00% ¹
Eligible dividends	41.58%
Non-eligible dividends	48.27% ²

¹ The capital gains rate is based on the legislated ½ inclusion rate.

² Note that this rate is subject to change if consequential adjustments are subsequently made to the dividend tax credit rate for non-eligible dividends as a result of the reduced small business income tax rate.

Basic Personal Amount

The budget increases the Basic Personal Amount to \$11,744 (from \$8,744), effective January 1, 2025. The budget also extends the eligibility for the maximum Basic Personal Amount, Age Amount, Spousal or Common-Law Partner Amount, and Eligible Dependent Amounts to all taxpayers, effective for the 2025 tax year (previously these amounts were reduced or phased out, as the case may be, for taxpayers with taxable income above \$25,000).

Indirect tax changes

Harmonized Sales Tax rate reduction

The budget confirms that Nova Scotia will decrease its portion of the Harmonized Sales Tax rate to 9% (from 10%), effective April 1, 2025, as previously announced. As a result, the province's overall HST rate will be reduced to 14% (from 15%).

Non-Resident Deed Transfer Tax increase

The budget increases the Non-Resident Deed Transfer Tax rate to 10% (from 5%), effective April 1, 2025. The new 10% rate will apply to transactions with an Agreement of Purchase and Sale dated from April 1, 2025 onwards. Note that this tax generally applies to the value of residential real property purchased by a non-resident of Nova Scotia, subject to certain exemptions for specific situations.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Nova Scotia budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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