



TaxNewsFlash Canada

Highlights of the 2016 Nova Scotia Budget

April 19, 2016

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Nova Scotia Finance Minister Randy Delorey delivered the province's 2016 budget on April 19, 2016. The budget anticipates a surplus of \$17.1 million for the 2016-2017 fiscal year, with anticipated surpluses of \$20.8 million for 2017-2018 and \$79 million for 2018-2019. Although the budget does not make any changes to the personal or corporate tax rates, it increases tax on tobacco products, parallels recent federal changes to the taxation of trusts and estates, and announces a new Food Bank Tax Credit for farmers, among other measures.

Highlights of tax measures announced in the budget are summarized below.

Personal tax measures

Personal income tax rates

The budget does not make any changes to the province's personal tax rates. As a result, Nova Scotia's combined federal and provincial top marginal rates for income, capital gains and dividends remain as follows:

Personal Combined Federal/Provincial Top Marginal Rates	
	2016
Interest and regular income	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Non-eligible dividends	46.97%

Amount for Young Children Tax Credit

The budget notes that Nova Scotia will maintain its Amount for Young Children Tax Credit. This credit is intended to offset the federal taxable Universal Child Care Benefit (UCCB), which was eliminated in the 2016 federal budget and replaced it with a non-taxable Child Care Benefit.

Graduated rate estates

The budget announces that Nova Scotia will parallel recent federal changes to the taxation of trusts and estates. The new federal rules, which became effective on January 1, 2016, apply graduated personal income tax rates only to trusts that are “graduated rate estates” or “qualified disability trusts.” For all other trusts and estates, the top provincial marginal rate of 21% will apply.

For more details on the federal changes, see [TaxNewsFlash-Canada 2016-03, “New Estate and Trust Tax Regime — Welcome Relief Announced”](#).

Corporate tax measures

Corporate income tax rates

No changes to corporate taxes were announced. As a result, Nova Scotia’s corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2016		
	Nova Scotia	Combined Federal and Nova Scotia
General	16%	31%
M&P	16%	31%
Small business ¹	3%	13.5%

¹ on first \$350,000 of active business income

Food Bank Tax Credit for farmers

The budget introduces a food donation credit for individuals and corporations that carry on a farming business. Effective January 1, 2016, these taxpayers will be eligible for a non-refundable tax credit equal to 25% of the fair market value of qualifying agricultural products that are donated to a registered charity that provides food to families in need.

Indirect tax measures

Tobacco tax

The budget increases tobacco tax by \$0.02 per cigarette, per gram of fine-cut tobacco, and per pre-proportioned tobacco stick. In addition, the tax on cigars will increase to 60% of the suggested retail selling price of a cigar (from 56%). These measures are effective at 12:01 am on April 20, 2016.

We can help

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 take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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