



# TaxNewsFlash

Canada

## Highlights of the 2026 Nova Scotia Budget

February 23, 2026

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Nova Scotia's Finance Minister delivered the province's 2026 budget on February 23, 2026. The budget anticipates a deficit of \$1.25 billion for 2025-26 and projects deficits of \$1.19 billion for 2026-27 and \$1.05 billion for 2027-28. The budget does not include changes to the province's corporate or personal income tax rates. The budget extends the Capital Investment Tax Credit to December 31, 2035 and increases the Financial Institutions Capital Tax (FICT) to 6% (from 4%), among other changes.

### Business tax changes

#### Corporate income tax rates

The budget does not announce changes to the province's corporate income tax rates. As a result, Nova Scotia's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2026		
	Nova Scotia	Combined Federal and Nova Scotia
General	14%	29%
M&P	14%	29%
Small business	1.5% <sup>1</sup>	10.5% <sup>2</sup> /16.5% <sup>3</sup>

<sup>1</sup> On first \$700,000 of active business income. Nova Scotia increased the province's small business income threshold to \$700,000 (from \$500,000) effective April 1, 2025.

<sup>2</sup> On first \$500,000 of active business income.

<sup>3</sup> On \$500,001 to \$700,000 of active business income.

### *Capital Investment Tax Credit*

The budget extends the sunset date for the Capital Investment Tax Credit to December 31, 2035 (from December 31, 2029). This refundable 25% corporate tax credit can be claimed for capital costs directly related to acquiring qualified property (e.g., buildings and equipment) for use in Nova Scotia as part of an approved project. The budget also authorizes the credit for qualified property that is acquired after the sunset date, provided the province received the pre-approval application prior to the sunset date and it is approved based on the prescribed criteria.

### *Financial Institutions Capital Tax*

The budget increases the Financial Institutions Capital Tax (FICT) to 6% (from 4%), effective for tax years starting on or after November 1, 2026. The FICT is levied on banks, loans, and trust corporations that have a permanent establishment in Nova Scotia.

## **Personal tax changes**

### *Personal income tax rates*

The budget does not announce changes to personal income tax rates. As a result, Nova Scotia's personal income tax rates effective January 1, 2026 are as follows:

<b>Personal Combined Federal/Nova Scotia Top Marginal Rates</b>	
	<b>2026</b>
Interest and regular income	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Non-eligible dividends	49.99%

### *Vaping product tax harmonization*

The budget confirms that Nova Scotia will tax vaping substances under the federal-provincial coordinated vaping tax framework, effective April 1, 2026. As a result, the following new provincial duty will apply:

- First 10 millilitre (mL) or gram (g) of vaping substances in the vaping device or container — \$1.12 per 2 mL/g or fraction thereof, plus
- For amounts over the first 10 mL/g — \$1.12 per 10 mL/g or fraction thereof.

As a result of this change, the provincial vaping product tax will end on March 31, 2026.

### *Electric and Hybrid Vehicle Levy*

The budget introduces an Electric and Hybrid Vehicle Levy, effective October 1, 2026. This levy must be paid when a prescribed vehicle is registered and every two years thereafter when the vehicle registration is renewed. Fully electric vehicle owners will pay \$500 every

two years, and electric-hybrid vehicle owners will pay \$250 every two years.

### 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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