

Budget 2020

Nova Scotia

Making sense of what's next.

February 2020

On February 25, 2020, Finance Minister Karen Casey tabled Nova Scotia's budget for the 2020-21 fiscal year. Budget 2020 is the fifth consecutive balanced budget presented by Nova Scotia's Liberal government, with an estimated surplus of \$55 million.

The estimates provided in Budget 2020 show that the province's surplus for the 2020-21 fiscal year is \$3.1 million more than the surplus projected for the same fiscal year in the previous budget.

Budget 2020 includes a capital plan that invests the largest capital funding in Nova Scotia's history in a single year. The investments are targeted to improve access to health care, schools, highways and public infrastructure.

The government is projecting surpluses over the next four fiscal years as follows:

Year	Projected surplus
2020-21	\$55.0 million
2021-22	\$63.2 million
2022-23	\$72.5 million
2023-24	\$74.0 million



Tax measures

Corporate tax

There are no changes proposed to the \$500,000 small business limit.

Nova Scotia's corporate tax rates have decreased for 2020. The small business rate has decreased by 0.5% (down from 3% to 2.5%) and the general corporate rate has decreased by 2% (down from 16% to 14%). The rates are summarized as follows:

Nova Scotia corporate tax rates

	Nova Scotia		Combined federal and Nova Scotia	
	2019	2020	2019	2020
Small business tax rate	3.0%	2.5%	12.0%	11.5%
General corporate tax rate	16.0%	14.0%	31.0%	29.0%
Investment income earned by CCPC	16.0%	14.0%	54.67%	52.67%

Digital media tax credit

This refundable corporate income tax credit was introduced in 2007 to support the development of the interactive digital media industry in Nova Scotia. Budget 2020 extends this tax credit for five years up to December 31, 2025.

Digital animation tax credit

This refundable corporate income tax credit was introduced in 2015 to encourage the production of digital animation in Nova Scotia. Budget 2020 extends this tax credit for five years up to December 31, 2025.

Innovation equity tax credit: Regulations updated

Although the innovation equity tax credit (IETC) was introduced in a previous year, changes were made as part of [Budget 2019](#), which expanded the availability of the credit to corporations and reduced the required holding period, among other changes.

However, the applicable regulations to make these changes effective had not yet been updated at the time that Budget 2019 was released.

The regulations were updated in December of 2019 to ensure the changes to the IETC proposed in Budget 2019 would come into effect as of April 1, 2019.

Personal income tax

Budget 2020 includes no changes to the personal tax brackets and rates. The rates for 2020 are as follows:

- 8.79% on the first tax bracket (up to \$29,590)
- 14.95% on the second tax bracket (from \$29,591 to \$59,180)
- 16.67% on the third tax bracket (from \$59,181 to \$93,000)
- 17.50% on the fourth tax bracket (from \$93,001 to \$150,000)
- 21.00% on the fifth tax bracket (over \$150,000)

The top combined federal Nova Scotia marginal tax rates for 2020 are as follows:

Taxable income	2020
Interest	54.00%
Capital gains	27.00%
Eligible dividends	41.58%
Regular dividends	48.28%

Basic personal, spousal, eligible dependant and age amounts

In a previous year, Nova Scotia introduced an enhancement to several non-refundable tax credits, increasing the basic personal amount, the spousal amount and the amount for an eligible dependant from \$8,481 to \$11,481 and the age amount for low income seniors from \$4,141 to \$5,606. Budget 2020 will continue with the same enhancements. It should be noted that the enhancements on all the credits listed above begin to phase out when taxable income exceeds \$25,000 and are completely eliminated once taxable income reaches \$75,000.

Excise tax

Vaping product tax

Budget 2020 introduces a vaping product tax, effective September 15, 2020, as follows:

- Vaping devices and components will be taxed at a rate of 20% of suggested retail price.
- Vaping substances will be taxed at the rate of \$0.50 per milliliter.

Furthermore, effective July 1, 2020, all manufacturers, wholesalers and retailers will be required to be licensed to sell their products in Nova Scotia.

Tobacco tax

Effective February 26, 2020, the tax rate on all tobacco products sold in Nova Scotia will increase as follows:

Product	Change in tax rate
Cigarettes and tobacco sticks	Increase from 27.52 ¢ per unit to 29.52 ¢ per unit
Fine cut tobacco	Increase from 26 ¢ per gram to 40 ¢ per gram
Other tobacco products	Increase from 18.52 ¢ per gram to 40 ¢ per gram
Cigars	Increase from 60% of suggested retail price to 75%

Capital spending

Budget 2020 provides significant capital spending totalling over \$1 billion on various projects and infrastructure. Some areas of capital spending include:

- **Roadways** - \$385.3 million to be spent on upgrading roads, highways and bridges, including 100-series highways.
- **Schools** - \$256.6 million to be spent on building and renovating 16 schools and purchasing schools that were previously built through a private-public partnership.
- **Healthcare** - \$154.4 million to be spent on healthcare redevelopment projects including:
 - QEII New Generation project, providing new operating rooms and a new cancer care centre, and
 - CBRM Healthcare Redevelopment project, which expands emergency departments at two hospitals and creates a new enhanced critical care ward.
- **Hospital facilities** - \$54.3 million to be spent on the construction, repair and renewal of hospitals and medical facilities.



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