



Tax Review

Halifax: October 14, 1999

The Nova Scotia Department of Finance is evaluating its personal and corporate income tax credits and sales tax rebates. The review was announced today by Finance Minister Neil LeBlanc as part of the 1999-2000 budget address.

The evaluation will investigate the level of take-up, the effectiveness of achieving the credit objectives, the potential cost, and the investment payback of the tax expenditures.

The Province wants to ensure that tax expenditures are accomplishing the goals intended at a reasonable cost. Tax expenditures or credits and rebates are tax dollars the government declines to collect in order to create a social or economic benefit.

Corporate Income Tax Credits

The review includes:

Research and Development credit

- This is a refundable 15% credit for undertaking research and development activity in Nova Scotia. The total tax expenditure amounts to some \$11.25 million.

Investment Tax Credit

- A 30% non-refundable Investment Tax Credit for investments in new manufacturing plants and equipment for a tax expenditure of \$27.4 million.

Film Tax Credit

- The film tax credit is worth some \$4 million and is a 32.5% credit for using Nova Scotia labour in film work undertaken in Nova Scotia.

Small Industry Tax Holiday

- This is a three-year tax holiday on the first \$200,000 of taxable income of a newly established business in Nova Scotia. The estimated tax expenditure is \$570,000.

Small Business Rate Reduction

- This 11% rate reduction (from 16% to 5%) on the first \$200,000 of small business taxable income. The total tax expenditure is estimated at \$43.8 million.

Personal Income Tax Credits and Tax Expenditures

The review includes:

Equity Tax Credit

- This is a 30% non-refundable credit for investment in new eligible business in the province. It is an estimated tax expenditure of \$2.1 million.

Labour Sponsored Venture Capital

- The labour sponsored venture capital tax incentive is a 15% non-refundable credit on eligible investments in register labour-sponsored investment funds ? a tax expenditure estimated at \$400,000.

Low Income Tax Reduction

- This program offers a reduction of personal income taxes payable to low-income singles and families. The total tax expenditure is estimated at \$25.2 million.

Other

- Other programs under review include the, the tax credits for Political Contributions and Stock Savings. Combined, these program provide a tax expenditure of approximately \$450,000.

Harmonized Sales Tax Rebates

The rebates under review include:

New Home Construction

- This program is designed to encourage new home construction and reduce the cost for consumers. The rebate is 1.5 points of the 8% provincial portion of the HST up to a maximum rebate of \$2,250. Estimated Provincial cost is \$6,321,000.

Municipalities

- Rebate of both federal and provincial portion of the HST at a rebate rate of 57.14% of HST. Estimated Provincial cost is \$18,852,000.

Universities and Colleges

- Rebate of both federal and provincial portion of the HST at a rebate rate of 67% of HST. Estimated Provincial cost is \$7,150,000.

Schools

- Rebate of both federal and provincial portion of the HST at a rebate rate of 68% of HST. Estimated Provincial cost is \$5,800,000.

Hospitals

- Rebate of both federal and provincial portion of the HST at a rebate rate of 83% of HST. Estimated Provincial cost is \$12,049,000.

Government Supported Non-Profit Organizations

- Rebate of both federal and provincial portion of the HST at a rebate rate of 50% of HST. Estimated Provincial cost is \$1,055,000.

Charities

- Rebate of both federal and provincial portion of the HST at a rebate rate of 50% of HST. Estimated Provincial cost is \$4,620,000.

Printed Books

- Rebate of provincial portion of the HST. Leaving Federal portion of 7%. Estimated Provincial cost is \$5,322,000.

Persons with Disabilities

- Rebate of provincial portion of the HST up to a limit of \$3,000 on a vehicle and \$300 on a computer. Estimated Provincial cost is \$200,000.

Volunteer Fire Departments and Search and Rescue

- Rebate of the balance of the provincial portion of the HST up to a limit that would apply to a emergency vehicle purchase of \$185,000.

Estimated Provincial cost is \$500,000.

The level of tax expenditures has been growing significantly in recent years, and some credits have been in place with little change over that time. This evaluation is part of the government's commitment to review all programs and services and will present a comprehensive analysis of how these credits are working for those who participate, as well as for the Province. It will assist the government in its decisions about which incentives it will continue to offer.

The evaluation of several of the larger credits is expected to be completed by the spring budget. Based on the results of the evaluation the government can consider any changes required.

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