



NOVA SCOTIA

### Estimated Tax Expenditures and Credits for 2006

	Value (\$)
Small Business Rate Reduction	106.6
Low Income Tax Reduction	16.9
Investment Tax Credit for Manufacturing and Processing	15.0
Research and Development Tax Credit	14.7
Film Industry Incentive	12.6
Equity Tax Credit	4.8
Labour Sponsored Venture Capital Corporation Tax Credit	1.0
Small Business Tax Holiday	.2
Other Credits	.7
<b>Total</b>	<b>172.5</b>

### Financial Variables and Sensitivities—Fiscal 2006–2007

Foreign Exchange Rates—CAD/USD	\$1.1765
Foreign Exchange Rates—USD/CAD	\$0.85
Three-Month Treasury Bill Rate—United States	4.80%
Ten-Year Government Rate—Canada	4.40%

### Debt Servicing Costs—Sensitivity Analysis

Change in Financial Market Variable	Change in Debt Servicing Costs (CAD \$ millions)
1% change in Canada 3-month Treasury Bill	\$14.1
1% change in US 3-month Treasury Bill	\$1.3
1 Canadian cent change per 1 US dollar	\$0.8

### Key Economic Assumptions

	2005	2006	2007
Gross Domestic Product (GDP) (chained 1997\$ million)	25,747	26,318	26,843
GDP Growth Rate (chained 1997\$) (% change)	1.9	2.2	2.0
GDP Growth Rate at Market Prices (% change)	4.6	4.2	3.4
Personal Income (% change)	4.4	4.2	3.4
Employment	443,100	447,100	451,100
Employment Growth Rate (% change)	0.2	0.9	0.9
Unemployment Rate (%)	8.4	8.1	8.0
Consumer Price Index (% change)	2.8	2.5	2.0
Retail Sales (% change)	3.0	3.7	4.1
Corporate Profits before Taxes (% change)	5.0	4.4	3.8
Exports of Goods and Services (% change)	2.1	3.5	4.7

### Net Direct Debt/Gross Domestic Product

	Fiscal Year							
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
NDD	11,230.7	11,370.1	12,128.0	12,226.0	12,327.8	12,308.4	12,321.0	12,435.6
GDP	23,059.0	24,658.0	25,909.0	27,079.0	28,715.0	29,879.0	31,255.0	32,554.0
<b>Ratio</b>	<b>48.7%</b>	<b>46.1%</b>	<b>46.8%</b>	<b>45.1%</b>	<b>42.9%</b>	<b>41.2%</b>	<b>39.4%</b>	<b>38.2%</b>

	Estimate 2005-2006	Forecast 2005-2006	Estimate 2006-2007
<b>Budget Summary</b>			
Ordinary Revenues	6,097,580	6,267,658	6,587,347
Net Program Expenses	5,496,275	5,588,376	5,987,235
Pension Valuation Adjustment	24,379	38,268	33,213
Net Debt Servicing Costs	897,468	872,057	884,567
Consolidation Adjustments	37,191	35,466	54,525
Net Income from GBE's	346,634	346,579	335,064
<b>Provincial Surplus</b>	<b>63,283</b>	<b>151,002</b>	<b>71,921</b>

### Provincial Revenue Sources

Corporate Income Tax	350,177	361,990	378,795
Harmonized Sales Tax	1,068,935	1,051,047	1,092,095
Individual Income Tax	1,553,568	1,574,960	1,652,495
Interest Revenues	72,413	77,438	77,812
Motive Fuel Taxes	256,895	247,650	244,902
Offshore Licences Forfeitures	—	43,208	—
Registry of Motor Vehicles	87,716	85,958	89,268
Royalties – Petroleum	30,000	128,000	288,000
Tobacco Taxes	177,567	167,975	166,382
Other Provincial Sources	239,333	240,480	238,178
Prior Years' Adjustments	—	22,807	—
Nova Scotia Gaming Corporation	160,900	157,350	144,200
Nova Scotia Liquor Corporation	177,070	179,900	184,500
Other Government Business Enterprises	8,664	9,329	6,364
<b>Total—Provincial Sources</b>	<b>4,183,238</b>	<b>4,348,092</b>	<b>4,562,991</b>

### Federal Revenue Sources

Canada Health Transfer	578,410	581,007	611,556
Canada Social Transfer	257,408	254,964	267,919
Equalization Payments	1,343,527	1,343,527	1,385,539
Offshore Offset	4,000	4,000	—
Offshore Oil and Gas Payments	57,100	57,100	57,421
Wait Times Reduction Fund	18,201	18,201	34,666
Other Federal Sources	2,330	2,319	2,319
Prior Years' Adjustments	—	5,027	—
<b>Total—Federal Sources</b>	<b>2,260,976</b>	<b>2,266,145</b>	<b>2,359,420</b>
<b>Total—Revenues</b>	<b>6,444,214</b>	<b>6,614,237</b>	<b>6,922,411</b>

### Net Program Expenses

Agriculture	44,113	48,405	38,840
Community Services	716,174	711,514	748,123
Education and Universities	1,281,088	1,297,797	1,366,094
Energy	9,619	20,825	19,712
Environment and Labour	27,947	27,797	30,064
Finance	16,858	15,930	18,517
Health	2,559,740	2,573,351	2,764,479
Health Promotion and Protection	—	—	36,299
Justice	107,847	104,527	116,467
Natural Resources	63,098	62,881	65,837
Public Service	183,455	213,052	196,249
Service Nova Scotia and Municipal Relations	96,384	109,377	136,261
Tourism, Culture and Heritage	42,383	44,830	44,401
Transportation and Public Works	263,954	267,440	291,955
Restructuring Costs	83,615	89,184	113,937
Loss on the Disposal of Assets	—	1,466	—
<b>Total—Net Program Expenses</b>	<b>5,496,275</b>	<b>5,588,376</b>	<b>5,987,235</b>

# NOVA SCOTIA BUDGET

FOR THE FISCAL YEAR 2006–2007

## HIGHLIGHTS

For budget information, visit the Department of Finance website:  
[www.gov.ns.ca/finance](http://www.gov.ns.ca/finance)



# BUDGET HIGHLIGHTS

FOR THE FISCAL YEAR 2006–2007

The 2006–2007 budget is the fifth straight balanced budget, with a surplus of \$71.9 million. Capital spending will increase to \$383 million. Significant new dollars are allocated to energy cost relief and energy conservation.

## Tax Changes

### Personal Income Tax

- Four-year plan to provide increasing income tax relief by raising the basic personal exemption and value of all non-refundable tax credits

**Step 1.** Starting in 2007, basic personal exemption to increase \$250 annually for the next four years. Starting in 2007, non-refundable tax credits will increase proportionately by the same increase over this period.

**Step 2.** Starting in 2011, full indexation will be implemented.

### Harmonized Sales Tax

- Household Energy Rebate of the provincial portion of the HST
- Commencing January 1, 2007
- Applied to electricity, home heating fuel, natural gas, wood, and other fuel sources used to heat homes

### Healthy Living Tax Credit

- \$150 tax credit introduced last year will be increased to \$500 per child

### Graduate Tax Credit

- \$1000 tax credit for post-secondary graduates to offset Nova Scotia income taxes; upon graduation, students will have three years within which to use the credit.

### Child Care Benefit Tax Credit

- Tax credit to be applied against the full value of the new \$1200 federal Universal Child Care Benefit
- Revenue neutral to the province

### Tax Rate on Used Motor Vehicles

- Current rate on used motor vehicles will be adjusted downward to 14% effective July 1, 2006, to correspond with a 1% decrease in the federal GST rate

### Large Corporations Capital Tax

- Rate decrease from 0.275 % to 0.25%
- Complete elimination of tax by July 1, 2012

### Small Business Tax Threshold

- Threshold will increase from \$350,000 to \$400,000

### Energy Efficiency Tax Credit

- Non-refundable tax credit equal to 25% on eligible capital investments on renewable energy sources or energy efficiency investments made by the corporation up to 50% of the Large Corporations Capital Tax payable in a given year

### Biodiesel Incentive

- Effective July 1, 2006, the motive fuel tax rate is removed on the biodiesel component of the motive fuel blend

### Liquor Licence Levy

- Elimination of the 3.5% levy on the purchase of alcoholic products effective January 1, 2007

## Capital Spending (\$ millions)

- Total capital spending approximately \$383 million
- TCA: \$335 million
- Capital grants to DHAs: \$40 million
- Capital grants to Crown corporations: \$8 million
- Highway spending increases by \$34 million to \$176.2 million
- Capital funding for land and parks increases to \$19.5 million
- Capital Funding for IT projects increases to \$26.9 million

## Departmental Spending Increases (\$ millions)

• <b>Youth, Families &amp; Communities</b>	
Learning for Life II (Year 2)	20.2
Low-Income Pharmacare	1.0
Shelter rate increase	1.9
• <b>Health, Health Promotion and Protection</b>	
Wait times (Federal)	16.5
Oncology drugs & specialists	15.9
Pharmacare for Seniors	12.9
Continuing Care	16.4
• <b>Economic Development &amp; Infrastructure</b>	
Community Development Action Plan	0.25
Aquaculture Initiative	0.45
Ferry Portland to Yarmouth	1.25
Provincial Capital Assistance Program	1.50
• <b>Community Safety</b>	
Criminal Intelligence Service Nova Scotia	0.69
Legal Aid increase	0.70
Youth Attendance Centre	0.45
Road safety enhancements	3.75
• <b>Energy &amp; Environment</b>	
NS Hospital Gas Conversion Project	1.2
Smart Energy Conservation Program	10.0
Environmental Home Assessment Program	0.85