

# NOVA SCOTIA BUDGET BULLETIN

FOR THE FISCAL YEAR 2007–08



## Key Tax Measures

### Personal Taxes

#### Personal Income Tax Credits

In 2006–2007 Nova Scotia implemented changes to personal income tax that will see the Basic Personal Allowance—the money people earn before they have to start paying taxes—increase \$250 each year for four years.

As of January 1, 2007, the Province adjusted the Basic Personal Amount exempted from Personal Income Taxes to \$7,481. This is an increase of \$250, or 3.46 per cent over the amount for 2006. Nova Scotia's other non-refundable credits will also grow by 3.46 per cent this year.

Through this measure, by 2010, the amount of income that individuals can earn before being subject to tax will grow by \$1,000, or 13.83 per cent, as too will the province's other non-refundable credits.

The change to the Basic Personal Allowance will benefit every taxpayer and will result in a total tax reduction for each individual of about \$220 over the four-year period.

### Impact of Basic Personal and Spousal Amount Increase

Taxation Year	Family Type	
	Individual Earner	2 Adults with 1 Income
2007	\$22	\$41
2008	\$44	\$81
2009	\$66	\$122
2010	\$88	\$163
<b>Total 4 year</b>	<b>\$220</b>	<b>\$407</b>

### Impact of Basic Personal and Spousal Amount Increase

Fiscal Year	Program Cost (\$M)	
	Basic Personal Amount	Other Credits
2006–07	\$3.3	\$0.7
2007–08	\$16.6	\$3.6
2008–09	\$29.9	\$6.4
2009–10	\$43.1	\$9.2
<b>Total</b>	<b>\$92.9</b>	<b>\$20.0</b>

---

## **Basic Personal Amount Maximum Claim Amounts By Credit 2006–2009**

Credit Name	<i>Maximum Claim</i>			
	2006	2007	2008	2009
Basic Personal Amount	\$7,231	\$7,481	\$7,731	\$7,981
Spousal Amount	\$6,140	\$6,352	\$6,565	\$6,778
Eligible Dependand Amount	\$6,140	\$6,352	\$6,565	\$6,778
Caregiver Amount	\$4,176	\$4,320	\$4,465	\$4,610
Amount for Infirm Dependents	\$2,386	\$2,468	\$2,551	\$2,633
Age Amount	\$3,531	\$3,653	\$3,775	\$3,897
Pension Income Amount	\$1,000	\$1,035	\$1,069	\$1,104
Disability Amount	\$4,293	\$4,441	\$4,596	\$4,738

---

### ***Graduate Tax Credit***

For those who graduate from eligible post-secondary programs after January 1, 2008, the Province will increase its graduate tax credit from \$1,000 to \$2,000.

### ***Volunteer Firefighters Tax Credit***

For the 2007 tax year, Nova Scotia will introduce a new \$250 refundable tax credit for volunteer firefighters. This tax credit will increase to \$375 in 2008 and to \$500 in 2009.

## ***Sales Taxes***

### ***Tours and Conventions Incentive***

With the cancellation of the Federal Visitors GST/HST Rebate, Nova Scotia's tour and convention industry lost a competitive advantage in attracting tourist visits from this important sector.

The Government of Canada's new Foreign Convention and Tour Incentive Program will support this sector by rebating federal GST for certain convention and tour operators. The Province will establish a parallel Foreign Convention and Tour Incentive Program to rebate the equivalent provincial HST portions to the same operators.

Further details on the Foreign Convention and Tour Incentive Program will be available in summer 2007.

### ***Tobacco Taxes***

Effective March 24, 2007, provincial tobacco taxes will increase by 1 cent per cigarette, or the equivalent of \$2 per carton. At the same time, the tax rate on pre-proportioned tobacco sticks will increase by 1 cent per unit, and the tax rate on fine-cut tobacco by 1 cent per gram.

### ***Aviation Fuel Taxes***

Effective March 24, 2007, the provincial tax rate applied to fuels used in aircraft will increase from 0.9 cents per litre to 2.5 cents per litre. This will bring Nova Scotia's aviation fuel tax rate in line with other provinces.

## ***Business Taxes***

### ***Digital Media***

On January 1, 2008, Nova Scotia will introduce a Digital Media Tax Credit. This measure will provide a refundable tax credit of 35 per cent of eligible expenditures on digital media productions. The details and parameters of the digital media tax credit will be developed throughout 2007.

### ***Large Corporations Capital Tax***

The Large Corporations Tax (LCT) is a tax on a corporation's capital, which includes capital stock, retained earnings, and contributed surpluses, loans, and advances, and debt with a term greater than one year allocated to Nova Scotia.

Corporations with less than \$5 million in capital are exempt from this tax.

---

This year's provincial budget continues measures to reduce the large corporations capital tax, with a commitment to eliminate it by 2012. This will help to build a more competitive business environment.

The current rate for LCT is 0.25 per cent of taxable capital over \$10 million (rate is 0.55 per cent between \$5 million and \$10 million). Scheduled declines of 0.025 percentage point are scheduled on July 1, 2007 and 2008.

After 2008, the extension of the phase-down in the LCT will be at an accelerated rate of 0.05 percentage points per year, until it is eliminated effective July 1, 2012.

---

### **Changes to LCT Rates**

<b>Change</b>	<b>Percent</b>
Current rate	0.25
As of July 1, 2007	0.225
As of July 1, 2008	0.2
As of July 1, 2009	0.15
As of July 1, 2010	0.1
As of July 1, 2011	0.05
As of July 1, 2012	0

---



**The Honourable Michael G. Baker Q.C.**  
Minister of Finance