

# NOVA SCOTIA BUDGET BULLETIN

FOR THE FISCAL YEAR 2009–2010



## *Tax Changes and Incentives for Nova Scotians*

The Province of Nova Scotia is introducing enhanced credits and rebates to make life more affordable for Nova Scotian families and to improve our productivity and competitiveness.

Tax relief from changes to the basic personal amount and other non-refundable personal tax credits will proceed in 2009 and 2010 as planned. Previously announced reductions in the large corporations tax will also continue as legislated.

This fiscal year, new measures will provide tax relief and other incentives for priority areas, including

- expanded HST rebates on household electricity and new home construction
- increased incentives for retaining new university and college graduates
- a new manufacturing and processing investment rebate
- a higher Equity Tax Credit rate

The province is also implementing changes announced in the May 4 budget address to maintain revenues. These include

- deferring the extension of the Healthy Living Tax Credit to cover expenses for recreation registration fees for adults in 2009
- deferring the introduction of a Transit Tax Credit for 2009

# Key Measures

## Your Energy Rebate

On October 1, 2009, the government will implement a rebate of the provincial portion of the Harmonized Sales Tax (HST) on residential electricity usage below the current 27.4 kWh per day threshold. Your Energy Rebate will now cover all residential electricity usage including the monthly basic charge. This enhancement to the rebate will reduce home energy bills by approximately \$15 million in 2009–2010.

## Graduate Retention Rebate

The government is increasing and extending the incentive for new graduates to live and work in Nova Scotia. The Graduate Retention Rebate will offer graduates with a recent university degree a tax reduction of up to \$15,000 over six years, to a maximum of \$2,500 per year. College diploma and certificate graduates will be eligible for a tax reduction of up to \$7,500 over six years, to a maximum of \$1,250 per year.

Students who graduate in 2009 and thereafter will be able to take advantage of this program. The Canada Revenue Agency will administer the Graduate Retention Rebate as part of the annual tax return.

Students who graduated in 2006, 2007, and 2008 will still be able to take advantage of any unused credits from the previous Graduate Tax Credit. These credits can be used in the year of graduation or in the two years following graduation.

This rebate will replace the \$14 million Graduate Tax Credit.

## Manufacturing and Processing

The government will introduce a new Manufacturing and Processing Investment Credit worth 10 per cent of eligible investments made on or after January 1, 2010. This is designed to boost innovation and productivity in Nova Scotia's manufacturing and processing industries. The details of this \$25-million program will be announced after further consultations with the manufacturing industry.

The province announced the elimination of the Manufacturing and Processing Tax Credit in 2000. As announced in the 2006–2007 budget, the use of credits accumulated under this program will cease on December 31, 2009.

## Equity Tax Credit

The rate of the Equity Tax Credit will be increased from 30 to 35 per cent of the value of eligible investments made, starting in January 2010. The maximum annual claim will be raised from \$15,000 to \$17,500. The higher tax credit rate is expected to provide over \$1 million in new incentives to support investments by Nova Scotians in local enterprises.

The Equity Tax Credit and the Labour Sponsored Venture Capital Corporation Tax Credit will both be extended to February 29, 2012.

## New Home Construction Rebate

On July 7, 2009, the government announced a rebate of 50 per cent of the provincial portion of the Harmonized Sales tax on new homes that began construction on or after January 1, 2009, and are substantially complete by March 31, 2010. The maximum rebate available is \$7,000 and will be limited to 1,500 homes for a total cost in 2009–2010 of \$10.5 million.

## Healthy Living Tax Credit

The 2008–2009 budget announced the extension of the Healthy Living Tax Credit to all Nova Scotians effective January 1, 2009. The extension of this credit to adult recreation expenses has been deferred. Extension of the Healthy Living Tax Credit to adults will be revisited at a later date. This credit enhancement would have cost \$5.3 million in 2009–2010.

For the 2009 and subsequent taxation years, up to \$500 in expenses for children's sport and recreation registration fees are still eligible for a tax credit.

## Transit Tax Credit

The 2008–2009 budget announced a new Transit Tax Credit starting in 2009. The implementation of this credit has been deferred and will be revisited at a later date. This tax credit would have cost \$1.5 million in 2009–2010.

## Tobacco Taxes

At midnight on June 22, the tobacco tax rate was increased by 5 cents per cigarette, 5 cents per proportioned tobacco stick, and 5 cents per gram of fine cut tobacco. This measure will provide an estimated \$21.9 million in additional revenues for 2009–2010.

## Other Tax Changes

The government will proceed with other previously legislated tax reductions for both individuals and businesses. These measures will take effect in the 2009 or 2010 taxation years.

### Basic Personal Amount and Other Non-refundable Credits

As announced in the 2006–2007 budget, the province is increasing the basic personal amount exempted from personal income taxes by \$250 per year over a four-year period. This represents an increase of \$1,000 or 13.83 per cent. The province's other non-refundable credits will also grow by 13.83 per cent over this period. The basic personal amount will increase from \$7,731 to \$7,981 effective January 1, 2009, and to \$8,231 in January 2010. Other non-refundable tax credit amounts will grow by 3.23 per cent in 2009 and 3.13 per cent in 2010.

Increases in credit amounts in 2009–2010 will save Nova Scotians \$19.1 million relative to the 2008 taxation year amounts.

### Volunteer Firefighters Tax Credit

For the 2009 tax year, the Volunteer Firefighters and Ground Search and Rescue Tax Credits will increase from \$375 to \$500. Increasing this refundable tax credit will provide an additional \$900,000 to these volunteers.

### Large Corporations Tax

The province's Large Corporations Tax on capital of non-financial institutions declined from 0.2 per cent to 0.15 per cent on July 1, 2009. That tax rate will continue to decline each year until its elimination in 2012.

The tax reduction from 0.2 per cent to 0.15 per cent on July 1, 2009, will save large Nova Scotia companies an estimated \$9.1 million in taxes.

## Federal Tax Changes

Changes to federal legislation can result in different calculations of taxable income. The province maintains a common tax base with the federal government for personal income taxes, corporate income taxes, Large Corporations Tax (even though the federal government eliminated its capital tax in 2006), and Harmonized Sales Tax.

In 2009, federal amendments to tax bases altered taxable income bases on which Nova Scotians pay provincial taxes, including the following:

- introduction of Tax-Free Savings Accounts announced in the 2008–2009 federal budget (the province will also allow investments made under the Equity Tax Credit Act to be held in Tax Free Savings Accounts)
- increasing the maximum amount that can be withdrawn from an RRSP under a Home Buyers Plan to \$25,000
- carrying back decreases in value from a deceased annuitant's RRSP or RRIF to be deducted against year-of-death income
- accelerated Capital Cost Allowance for computers acquired after January 27, 2009
- accelerated Capital Cost Allowance for manufacturing and processing equipment (announced in the 2007–2008 federal budget, extended in the 2008–2009 federal budget, and adjusted to reflect straight-line accelerated CCA in 2010 as part of the 2009–2010 federal budget)

NOTE: For further 2009–2010 budget information, see the Department of Finance website at [www.gov.ns.ca/finance](http://www.gov.ns.ca/finance).