

Charting a Path for Growth

Nova Scotia Tax and Regulatory Review

Getting Government's House in Order

The Nova Scotia Commission on Building our New Economy told Nova Scotians they can get to work building a sustainable economic future, making government work better, and putting our collective financial house in order now, or never. For our children and the future of this province, it must be now.

"Government's first priority must be getting its house in order so taxes can be reduced and become more competitive."

Why

- Economic performance has lagged for 20 years
- Labour force is aging
- Income taxes are dropping
- Demand for services is increasing
- Nova Scotians earn less, pay the highest or second highest personal income taxes, and have less to spend than Canadians earning the same amount in almost every other province

There is no magic solution. Progress will require long-term discipline and bold initiative. Nova Scotians have to be willing to accept tough action to avoid a legacy of crippling taxes and few prospects.

The Role of Government

Economic growth and stable public finances go hand-in-hand. Government helps create an environment conducive to prosperity, sustainability, investment, and employment growth through rules and regulations, taxes, and fees. At the same time, the system must generate enough money to fund public services.

But government cannot create a more competitive tax system when its spending is beyond its means:

Total revenues: \$10 billion
- Total spending: \$10.7 billion

Provincial deficit: \$679 million

Net debt: \$15 billion
Annual debt servicing fees: \$886 million

Top three factors
businesses consider
when making investment
decisions:

Complexity of
regulations

Stability

Predictability

Shift to Consumption Taxes

As Nova Scotia's labour force declines, the province's single largest source of revenue – personal income tax – will also continue to decline unless taxes for everyone are drastically increased. Raising the personal income taxes of the mostly younger workers that remain is likely to cause them to look elsewhere for economic opportunities. The only viable option is to shift the focus from income taxes to consumption taxes.

Why

- Help the private sector create more jobs
- Promote economic growth
- Provide investment incentives to boost productivity growth
- Equitably distribute taxes and not put an unfair burden on young Nova Scotians
- Tie taxes to disposable income – those who can afford to spend more, pay more
- Allow those with fluctuating income to even out spending and taxes over the year
- Increase take-home pay
- Promote saving

How

- Freeze government program spending at zero
 - with adjustments for already-committed collective agreement obligations
 - resulting in budget surpluses beginning in fiscal 2016-17

Harmonized Sales Tax

Nova Scotia has the highest sales tax (HST) in Canada. The only realistic reform is to broaden the consumption tax base by eliminating provincial rebates.

- Eliminate exemptions on printed books; children's clothing, shoes, and diapers; feminine hygiene products; and home energy use through the Your Energy Rebate Program; and a portion of the HST on first-time home purchases
 - \$128 million
- Use revenue created to reduce income taxes and increase disposable income for Nova Scotians
- Provide additional income tax reductions to those in need
 - \$29.1 million in tax relief

"Overspending on annual operations is like buying groceries on credit. We are borrowing from our children, our grandchildren, and our great-grandchildren to pay our expenses today."

Income Tax: tax on earnings, deducted by government directly from income

Consumption Tax: tax on goods or services, usually at the point-of-sale



