

# Charting a Path for Growth

## Nova Scotia Tax and Regulatory Review

### Personal Tax Reform

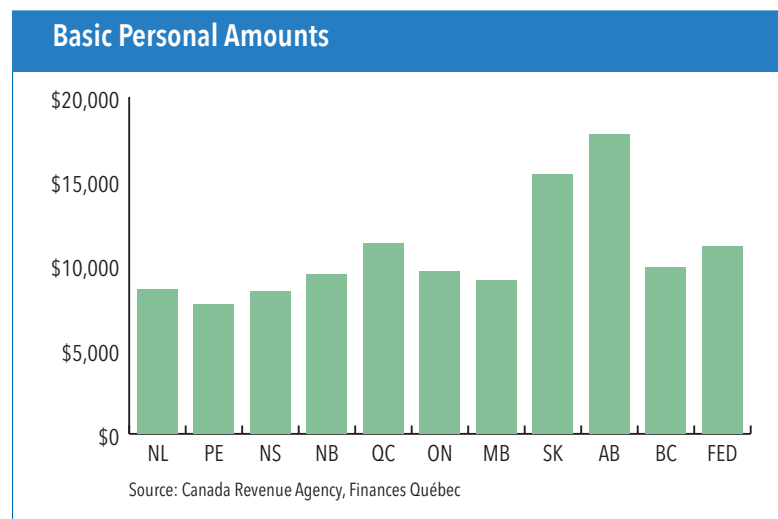
Nova Scotia has some of the highest personal income taxes in Canada, and it is one of only three provinces that do not index tax brackets to annual inflation. As a result, some Nova Scotians pay more taxes even without seeing an increase in their income. The province has the second-lowest labour force participation rate in the country as well as low rates of innovation and investment – in part the result of fewer risk takers discouraged by a high top-marginal tax rate. The tax system also has many tax credits that reward behaviour taxpayers would have taken anyway, that create winners and losers, and that increase system complexity.

#### Why

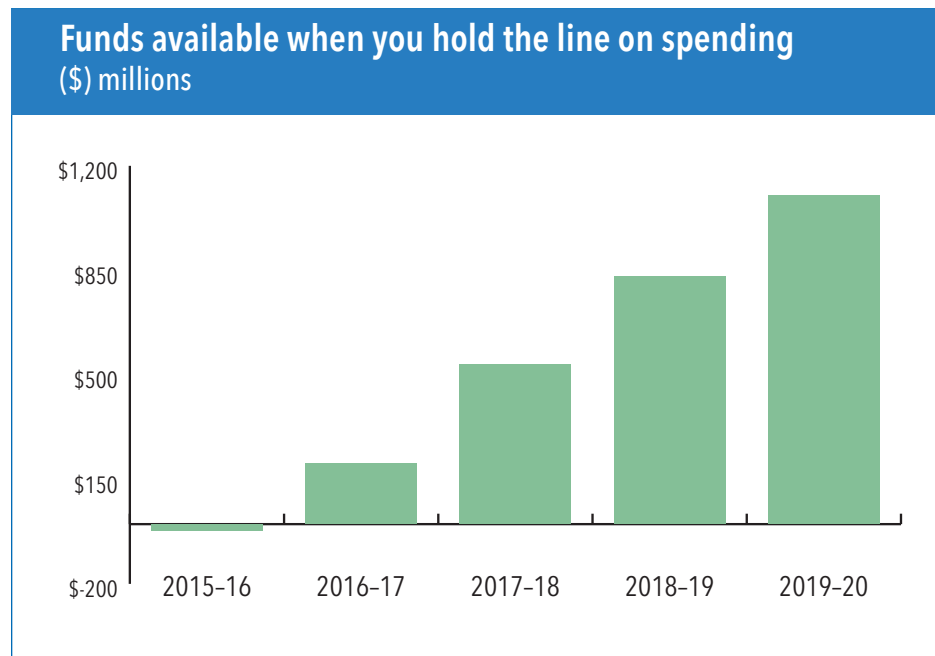
- Boost economic activity by improving the spending power of Nova Scotians
- Increase simplicity, ease of administration, and fairness in the tax system
- Foster the innovation and investment that comes from risk-taking
- Increase workforce participation, particularly among marginalized groups

#### How

- Increase Basic Personal Amount for all Nova Scotians to \$11,000 from \$8,481. All taxpayers will pay lower income taxes. Those with the lowest income will benefit proportionally
  - \$112 million annually in tax relief



- Index tax brackets by building in a cost-of-living adjustment
  - \$20 million annually in tax relief
- Eliminate the fifth income tax bracket (21% on earnings over \$150,000); simplify the system by merging the third and fourth brackets, setting the rate at 17%
  - \$72 million annually in tax relief
- Reduce personal income tax rates over time as targets are met



- Eliminate tax credits, including the Volunteer credit and Healthy Living tax credit; this will be offset by the increase in the Basic Personal Amount
- Eliminate the Seniors provincial income tax refund; it is redundant (with the age credit), and should be offset by the increase in the basic personal amount
- Redesign income support systems provided by the Department of Community Services with a goal of eliminating disincentives to work; reinvest these funds to support the working poor and poor families with children, including an expansion of the Nova Scotia Child Benefit