

The Nova Scotia Tax, Regulatory, and Fee Review

Charting a Path for Growth

Overview

The recent *One Nova Scotia* report outlines the serious economic and population trends facing Nova Scotia. The report states:

We cannot sustain economic growth over time unless renewed population growth provides more workers, more entrepreneurs and more consumers (Ivany, et al. 18).

No single response will resolve this issue. As a province, we need to work together and take action to improve the economy and create the kind of good opportunities that not only keep people here, but attract others. This must take place on many fronts including public, private, and not-for-profit sectors.

The private sector drives economic growth. Government, however, is a partner with an important role to play in creating the conditions that attract companies and investments and allow businesses that are here already to grow and prosper.

Our tax and fee system is a big part of what creates an attractive, predictable, and fair environment for business. Equally important — and at times more so — are regulations. In consultation with businesses they cite red tape, regulatory predictability, and economic confidence as factors in making capital investments. Taxes, fees, and regulations all play a role in whether individuals and businesses have confidence in the Nova Scotia economy and whether they choose to build their lives and make investments here.

Provincial taxes have not been evaluated or updated in a comprehensive manner.

Laurel Broten, a public policy expert and former senior cabinet minister in Ontario, is leading the Nova Scotia Tax and Regulatory Review: Charting a Path for Growth. Supported by a team of senior public servants, Laurel will consider how our taxes, regulations, and fees can be used to create a better future for Nova Scotians and foster an environment more conducive to private-sector growth and economic development.

The review will examine and make specific recommendations to create a tax structure that will better position Nova Scotia to address these demographic, fiscal, and economic challenges. Regulations and fees will be evaluated against their impact on Nova Scotia's economic and business climate, the province's competitive position, and the extent that they hinder business investment, public-sector employment, and economic growth.

Best practices are being looked at, as well as tax arrangements and success stories in other jurisdictions in Canada and beyond. Consultations are taking place with local, national and international experts, academics, business and sectorial groups, government departments, and other organizations and think tanks.

A plan for change to Nova Scotia taxes, fees, and regulations will be delivered in fall 2014.

This information is designed to give you a broad overview of the Tax and Regulatory Review and seek your input into changes that can be made to tax policy and regulations based on the principles of fairness, sustainability, simplicity, and competitiveness.

Review Principles

The tax, regulatory, and fee review will be guided by the principles of simplicity, fairness, competitiveness, and sustainability:

The tax system should be simple. Taxes should be easy to understand and comply with while collecting the minimum amount of information needed to administer the system on a consistent basis.

The tax system should be fair. Taxes should be equitable and provide a level playing field. Those who have the same ability to pay taxes should carry the same tax burden.

Those with a greater ability to pay taxes should carry a higher tax burden. Businesses in similar circumstances or activities or with similar assets should pay similar taxes, while those that can afford to pay more should.

The level and rates of taxes are important factors considered by businesses and individuals when deciding where to locate and invest. They should be competitive. The tax system should promote private-sector economic development and growth and position the province as an attractive choice.

Provincial taxes and regulations are being looked at in the promotion of

- An environment more conducive to investment, wealth creation, and business expansion in Nova Scotia
- Innovation, productivity gains and entrepreneurship
- Private sector employment.

The tax system should also be sustainable and allow government to meet its obligations. Important public services including health care, education, social services, and public infrastructure should be funded at a level that maintains the standard of living expected by Nova Scotians.

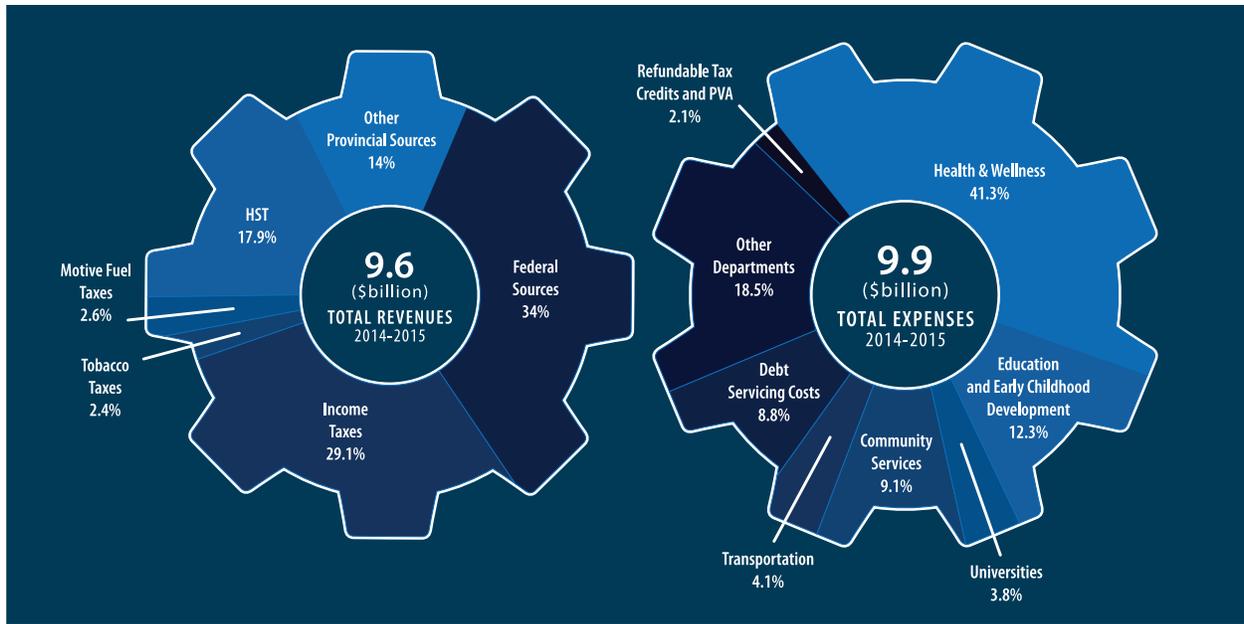
Fiscal Reality

In 2014–2015, the Province of Nova Scotia estimates it will receive \$9.6 billion in revenue. Most of this comes from taxes, including the income tax individuals and businesses pay, taxes on gasoline, HST, user fees, and royalties the government receives from offshore petroleum production activities. The federal government is also a source of significant revenue.

Revenues for 2013–2014 are forecast to be more than \$250 million less than budgeted. We are also seeing significant wage pressures and increases in demand for health care and other social services.

As a result, the 2014–2015 Budget anticipates a \$279-million deficit.

The 2014–2015 budget estimates Nova Scotia will spend \$9.9 billion delivering programs and services to Nova Scotians. The largest portions of these expenses go to the departments of Health and Wellness (41.3%), Education and Early Childhood Development (12.3%), and Community Services (9.1%). Transportation and Infrastructure Renewal (4.1%), and grants to our universities (3.8%), also represent considerable expenses. It's also worth noting that Nova Scotia will pay \$878 million, or 8.8% of total expenses, to service our debt.



Regulations or Red Tape?

Regulations include government-imposed obligations, licenses, and laws that people and business must comply with.

Most people agree that when regulations work they create a safe environment and a fair playing field for business, industry, and a number of regulated sectors. Most want to comply with regulations because they also want to protect their customers and help organizations provide them with the highest level of service.

But sometimes, regulations no longer serve their original purpose. Sometimes, they make doing business unduly complex, create an excessive burden, or have unforeseen adverse effects. When regulations create unnecessary obstacles to business growth they are no longer regulations, they are red tape and that negatively affects everyone. Businesses that spend too much time, effort, and money complying may be unable to expand or hire, or they might not have enough time to spend on the things that really matter for business success.

In order to have a competitive environment, Nova Scotia needs clear, predictable regulations that are reasonable to comply with.

The regulatory review is exploring a path to reform existing regulations and reduce the amount of regulations where it makes sense.

User Fees Primer

The concept behind user fees is that the user of a particular service pays some or all of the cost of that service, as opposed to all taxpayers paying. These fees are wide-ranging and include things like driver's license renewals, museum admission fees, environmental assessments, and fishing licenses.

The Province of Nova Scotia has approximately 1,400 user fees across its various departments. These fees, which generate approximately \$259-million in revenue annually, apply to most services, licensing, and regulatory functions. The revenues in turn are used to fund the service.

Fees were not increased in 2014–2015.

