Toward a Modern, Equitable Tax System

The Tax and Regulatory Review Report was received in November 2014. It challenged government to look at our tax system differently.

Government will take a long-term, measured and thoughtful approach to implementing changes to Nova Scotia's tax system. Fairness, simplicity, competitiveness, and sustainability will guide government decision-making, as it makes every effort to ensure that changes to the taxation mix do not harm vulnerable Nova Scotians. While our review of these recommendations continues, we have made some movement toward a long-term vision.

As a result of careful analysis and conversations with Nova Scotians, Budget 2015–2016 lays out a plan to ensure we have adequate revenue to provide essential services to Nova Scotians, while addressing specific tax-review recommendations.

Revenue and taxation measures

- Maintain the volunteer firefighter and ground search and rescue tax credit
- Maintain current HST rebates on children's clothing, children's footwear, children's diapers, feminine hygiene products and printed books
- Maintain the Affordable Living Tax Credit
- Increase tobacco taxes by two cents per cigarette, two cents per gram of fine-cut tobacco and two cents per pre-proportioned tobacco stick
- Place a maximum cap on the corporations' capital tax for financial institutions. This change will encourage financial institutions to grow in Nova Scotia and has no budget impact
- Rebalance taxes paid on income earned through wages or dividends by lowering the non-eligible dividend tax credit, which has not kept pace with changing conditions. The rate will be reduced from 5.87 per cent to 3.5 per cent
  - A taxpayer should pay relatively the same amount of tax on income whether it is earned through dividends or as wages/salaries
  - Over the past few years, when the small business tax rate was reduced, the dividend tax credit remained the same, instead of going down as well — so it is now being reduced from 5.87 per cent to 3.5 per cent. By not doing this previously, Nova Scotia gave up $30 million per year in tax revenue
- Budget 2015–2016 will maintain the Film Industry Tax Credit.
  - It will change from one that is fully refundable to one that is 25 per cent refundable. The remaining 75 per cent of the eligible tax credit will be provided as a non-refundable credit, available to film companies against the taxes they owe in Nova Scotia
  - These changes will take effect July 1, 2015. This timing will ensure projects that are currently in progress can continue, and also provide the industry time to transition. The budget contains $24 million to ensure there is no interruption
- Introduce a new program fund to support the creative economy ($6 million) — including film, animation, music/sound recording and publishing. Government will consult with industry to design the fund, which will begin in 2016
- Eliminate the Healthy Living Tax Credit
  - This credit is not helping low-income Nova Scotians, which was the original intent. It is used by about five per cent of tax filers, almost a quarter of whom earn over $90,000 and would likely enrol their children in activities with or without the credit

Take an ongoing, long-term approach to tax changes to diversify our tax base and make revenue more sustainable, in order for government to provide essential services

- Establish a tax working group to act as a sounding board on implementation challenges and opportunitites from the tax recommendations
- Consider existing credits and exemptions to ensure best value
- Ongoing consultation and conversations with Nova Scotians and tax experts about key recommendations in the report