Financial Measures Act 2006

Personal Income Tax Relief—Credits and Brackets

Starting January 1, 2007, Nova Scotia will adjust the Basic Personal Amount (BPA) exempted from Personal Income Taxes to $7,481. This is an increase of $250 or 3.46 per cent over the amount for 2006. The province's other nonrefundable credits will also grow by 3.46 per cent.

The basic personal amount will increase by $250 in each of the next four years, an increase of $1,000 or 13.83 per cent over this period. This means that by the 2010 tax year, the Nova Scotia's basic personal amount will rise to $8,231.

The province's other non-refundable credits will also grow by 13.83 per cent over this period.

Value of Current and Proposed BPA and Non-Refundable Credits

Credit Name	2006 Max Claim	2007 Max Claim
Basic Personal Amount	$7,231	$7,481
Spousal Amount	$6,140	$6,352
Eligible Dependant Amount	$6,140	$6,352
Caregiver Amount	$4,176	$4,320
Amount for Infirm Dependents	$2,386	$2,468
Age Amount	$3,531	$3,653
Pension Income Amount	$1,000	$1,035
Disability Amount	$4,293	$4,441

Impact of Basic Personal and Spousal Amount Increase

	Family Type	
Taxation Year	**Individual Earner**	**2 Adults with 1 Income**
2007	$22	$41
2008	$44	$81
2009	$66	$122
2010	$88	$163
Total 4 year	$220	$407

Starting with the 2011 tax year, the province will index its tax brackets, basic personal amount and other nonrefundable credits. These amounts will grow at prescribed rates.

Estimated 4-year cost: *$113 million*

Estimated Fiscal Impact of Credit Increase

	Program Cost ($M)	
Fiscal Year	**Basic Personal Amount**	**Other Credits**
2006-07	$3.3	$0.7
2007-08	$16.6	$3.6
2008-09	$29.9	$6.4
2009-10	$43.1	$9.2
Total	**$92.9**	**$20.0**

Sales Tax Act

Effective January 1, 2007, the province will provide a Household Energy Rebate equal to the provincial portion of the HST (8%) on all energy used by Nova Scotia households. Amendments to the Sales Tax Act are being made to provide for the implementation of the rebate program.

Federal Bill C48 Funding

Amendments will be made to ensure that the province will be able to use federal Bill C48 funding for the specific purposes prescribed by the federal government, in the event the purposes differ from those outlined in the Provincial Finance Act.

Healthy Living Tax Credit

The Healthy Living Tax Credit was introduced in 2005 to help with the cost of registering children and youth in eligible sport or recreation activities that offer health benefits.

This credit, which was based on a maximum spending of $150 per child when introduced, will now be based on a maximum spending of $500 effective January 1, 2006.

The tax credit applies only to those organizations who are registered with Nova Scotia Health Promotion and Protection.

The credit is another step in promoting a healthy living.

Estimated annual cost: $2.2 million per year

Child Care Benefit Tax Credit

Healthy Living Tax Credit per Child

Maximum Spending	2005	Jan. 1, 2006
$150	$13.19	
$500		$43.95

This year the province is introducing a non-refundable Tax Credit for parents/guardians of children under six. The tax credit rate will be set at the 8.79 percent rate applied to the full value of the new $1,200 Federal Universal Child Care Benefit ($600 in 2006). An amendment is also being made to ensure the federal Universal Child Care Benefit received by an individual is excluded from that individual's income for purposes of calculating the low income tax reduction.

The province is also reviewing social programs in light of this new measure.

Estimated cost in 2006–07: $3.7 million

Biodiesel Incentive

Biodiesel is a clean-burning, biodegradable, non-toxic alternative fuel. It contains no petroleum, but can be blended with diesel oil to create a biodiesel blend. It can be used in diesel engines with no major modifications.

Effective July 1, 2006, biodiesel produced in Nova Scotia that meets the American Society for Testing and Materials fuel-quality specification will be exempt from Motive Fuel Tax.

The current rate of tax on biodiesel is $0.154/litre, similar to the rate applied to diesel oil. The exemption will be applied to the biodiesel portion of the blend only, while the diesel oil portion will continue to be taxed at current rates.

Estimated annual cost: up to $1 million

Graduate Tax Credit

Beginning this year, students who graduate from an eligible post-secondary program and live and work in Nova Scotia, will be entitled to a non-refundable graduate tax credit worth $1000 to be applied against their Nova Scotia personal income tax.

The initial list of eligible programs will be similar to that used in determining eligibility for a Nova Scotia student loan.

Students are not required to graduate from a Nova Scotia post-secondary program to be eligible.

Upon graduation, students will have three years in which to use the credit.

This is a once-in-a-lifetime credit.

Estimated annual cost: $9.2 million

Revenues Designated to Highways

Under the Provincial Finance Act, changes are being made to make sure that all revenues collected under the Motive Fuel Tax, as well as net revenues from the Registry of Motor Vehicles, will be channeled directly into the construction and maintenance of highways.

Used Motor Vehicle Levy Rate

Effective July 1, 2006, the rate of levy charged on the sale of used motor vehicles was reduced from 15 per cent to 14 per cent . This was done to be consistent with the tax rate charged on the sale of new motor vehicles and designated tangible personal property as a result of the 1 percentage point decrease in the federal GST rate, which came into effect July 1, 2006.

Estimated cost in 2006–07: $750,000
Estimated annual cost as of 2007–08: $1.044 million

Dividend Tax Credit

The federal government has announced its intention to increase the dividend tax credit from 13 per cent to 19 per cent for public corporations. Once the federal legislation is available, Nova Scotia will introduce matching legislation designed to ensure provincial revenues from dividend taxes stay neutral.

Housekeeping Amendments

Changes are being made to various legislation as follows:

Environment Act—to clarify that orders issued by the Minister under Part 13 of the Act are not regulations.

Nova Scotia Film Development Act—to change when the Film Corporation files its proposed budget.

Public Service Act—to make changes to government structure to reflect recently formed departments and offices.

Summary Proceedings Act—to ensure consistency of costs relating to summary offense tickets.

Highway 104 Western Alignment Act—to ensure the Corporation remains exempt from the HST and there are no additional costs to consumers.

Community Economic Development Investment Fund

Community Economic Development Investment Fund (CEDIF) refers to a pool of capital, formed through the sale of shares to persons within a defined community, created to operate or invest in local business. It cannot be charitable, non-taxable, or not-for-profit, and must have at least six directors elected from their defined community.

Amendments are being made to CEDIFs to encourage investment in community economic development through increased tax credits and longer shareholder retention periods.

Amendments include

- increasing the hold period from four years to five years for investments after June 30, 2006, for Equity Tax Credits (ETCs) and CEDIFs
- under certain conditions, allow rollover of CEDIF investments after five years for an additional 20 per cent credit and after 10 years a 10 per cent credit
- removing the 20 per cent provincial guarantee for CEDIFs registered after June 30, 2006

CEDIFs are one of the three provincial tax credits legislated under the Equity Tax Credit Act, which are deductible from Nova Scotia taxes payable. The others are the general ETC and the Labour Sponsored Venture Capital Corporation credit (LSVCC).

The ETC and CEDIFs are very similar—both offer a 30 per cent credit to individual investors and are based on the same basic eligibility criteria.

As well, the ETC Act is being amended to extend the program to December 31, 2009.

Large Corporations Capital Tax

The Large Corporations Tax (LCT) is a tax on a corporation's capital, which is defined as the sum of paid-up capital stock and long-term debt allocated to Nova Scotia.

Corporations with less than $5 million in capital are exempt from this tax.

This year's provincial budget includes measures to reduce the large corporations capital tax, with a commitment to eliminate it by 2012. This will help to build a more competitive business environment.

Tax Rate Changes

The current rate for LCT is 0.25 per cent of taxable capital over $10 million (rate is 0.50 per cent between $5 million and $10 million). Scheduled declines of 0.025 percentage points will take place on July 1, 2007 and 2008.

The 2006–07 budget outlines an extension of the phase-down in the LCT at an accelerated rate of 0.05 percentage points per year after 2008, until it is eliminated effective July 1, 2012.

Changes to LCT Rates

Change	Percent
Current rate	0.25
As of July 1, 2007	0.225
As of July 1, 2008	0.2
As of July 1, 2009	0.15
As of July 1, 2010	0.1
As of July 1, 2011	0.05
As of July 1, 2012	0

Currently, the Large Corporations Capital Tax accounts for $60 million in revenue annually.

Energy Efficiency Tax Credit

Effective July 1, 2006, a new tax credit will be introduced to help promote energy conservation and enhance the competitive performance of Nova Scotia companies.

This is a non-refundable tax credit to be applied to the Large Corporations Capital Tax equal to 25 per cent of eligible capital investments on renewable energy sources or energy efficiency investments made by a corporation in any given year after that date. The credit amount usable in any year will be limited to 50 per cent of the Large Corporate Capital Tax payable.

Estimated cost in 2006-07: $1 million

Film Tax Credit

Effective July 1, 2006, film productions with more than 50 per cent of production outside of the Halifax Regional Municipality (HRM) will be eligible for the 5 per cent regional bonus on the entire production. Prior to this, the 5 per cent regional bonus applied only to that portion of the production costs conducted outside the HRM area. This is further to last year's 5 per cent increase in the Film Tax Credit rate, which saved the industry some $2.0 million.

The province's film industry receives over $12 million in support each year from The Film Tax Credit.

Estimated cost in 2006-07 : $100,000

Manufacturing and Processing Tax Credit

Changes are being made to make sure this credit is phased out as appropriate, as announced in April 2000.