

NOVA SCOTIA BUDGET BULLETIN

FOR THE FISCAL YEAR 2006-07



Tax Relief for Nova Scotians

The Province of Nova Scotia will provide tax relief to Nova Scotians in 2006-2007 and beyond through a series of changes to personal and corporate income taxes.

Tax changes for individuals are worth over \$50 million in this year's budget; others will be phased in over the next four years.

Government has also made a commitment to completely phase out the Large Corporations Capital Tax by 2012. This tax currently brings in annual revenue of approximately \$60 million.

Income Tax Changes

The 2006-2007 budget introduces measures to gradually lower personal income taxes starting in January 2007. These measures are worth an estimated \$19.2 million in this year's budget.

The basic personal amount, a credit against personal income tax, will increase by \$1,000 over the next four years, or \$250 in each year. This is expected to save individuals about \$200 over the next four years.

The budget provides for ongoing increases in other Nova Scotia personal tax credits, such as the spousal, disability, pension, and age amounts. These will be increased by 13.8 per cent over four years. The value of the tax credit changes to each family will depend on their individual circumstances.

Starting in 2011, the basic personal amount, non-refundable tax credits, and personal income tax brackets will be indexed.

The Graduate Tax credit, offsetting provincial income taxes owed, will be available to students who graduate from an eligible post-secondary program and who live and work in Nova Scotia.

The province will increase the Healthy Living Tax Credit to \$500 from \$150 to help with the cost of registering children and youth in sport or recreation activities that offer health benefits.

A new Child Care Benefit Tax Credit will be available to Nova Scotia parents/guardians of children under the age of six to offset provincial taxes resulting from the new federal Universal Child Care Benefit program.

Tax Relief for Energy Costs

Nova Scotia consumers will get an 8 per cent rebate on a wide range of fuels used for residential heating, starting in January 2007. The rebate will also be applied to residential electricity used for non-heating purposes.

The Household Energy Rebate will provide relief from high energy prices to an estimated 400,000 households, regardless of family income. The typical Nova Scotia household is expected to save around \$200 per year.

The province has budgeted \$32 million for the program in 2006–2007; it is expected to cost in the range of \$75 million in future years.

The Biodiesel Incentive exempts Nova Scotia-produced biodiesel that meets the American Society for Testing and Materials fuel-quality specification from motive fuel tax.

Business Taxes

The province continues to phase in changes to promote a more competitive corporate tax environment.

For large corporations, there is a further reduction in the Large Corporations Capital Tax, with the commitment to fully eliminate it by 2012.

A new Energy Efficiency Tax Credit against the Large Corporations Capital Tax will be introduced for eligible investments after July 2006 to help promote energy conservation and the use of renewable energy.

As per the 2005–2006 budget, the small business threshold for the low corporate income tax rate has increased this year, effective April 1, 2006.



The Honourable Michael G. Baker Q.C.
Minister of Finance