

2020 Nova Scotia budget: Tax highlights

February 25, 2020

In brief

On February 25, 2020, Nova Scotia's Minister of Finance, Karen Casey, presented the province's budget. The budget:

- reduces the province's general and M&P corporate income tax rate from 16% to 14%
- decreases Nova Scotia's small business tax rate from 3% to 2.5%
- extends the Digital Media Tax Credit and the Digital Animation Tax Credit

This *Tax Insights* discusses these and other tax initiatives outlined in the budget.

In detail

Business tax measures

Corporate income tax rates

Nova Scotia's corporate income tax rates will decrease, effective April 1, 2020:

- for general and M&P income – from 16% to 14%
- for small business income – from 3% to 2.5%

Combined federal/Nova Scotia corporate tax rates are shown in the table below.

Federal and Nova Scotia		Nova Scotia			Federal + Nova Scotia		
		2019	2020 (1)	2021	2019	2020 (1)	2021
General and M&P income		16%	14.50%	14%	31%	29.50%	29%
Canadian-controlled private corporations (CCPCs)	active business income to \$500,000	3%	2.62%	2.5%	12%	11.62%	11.5%
	investment income	16%	14.50%	14%	54.67%	53.16%	52.67%

1. The rates reflect the proposed decrease in Nova Scotia's:
 - general and M&P income tax rate from 16% to 14% on April 1, 2020
 - small business income tax rate from 3% to 2.5% on April 1, 2020

Tax Insights

Digital Media Tax Credit (DMTC) and Digital Animation Tax Credit (DATC)

The budget extends the DMTC and DATC to December 31, 2025. The credits were originally scheduled to expire December 31, 2020 (for the DMTC) and June 30, 2020 (for the DATC).

The budget states that the government intends to review:

- the DMTC “in consultation with the industry and stakeholders to ensure that the tax credit remains relevant and effective in an ever-changing digital technology environment”
- the DATC “to ensure that the tax credit continues to support the digital animation industry”

Personal tax measures

Personal income tax rates

The budget does not change Nova Scotia personal income tax rates. Top combined federal/Nova Scotia personal income tax rates are shown below. These rates apply to individuals with taxable income above \$214,368 in 2020 (\$210,371 in 2019).

Top combined federal/Nova Scotia rates		2019	2020
Ordinary income & interest		54.00%	
Capital gains		27.00%	
Canadian dividends	eligible	41.58%	
	non-eligible	48.28%	

Other taxes

Tobacco tax

Effective February 26, 2020, tobacco tax rates will increase, for:

- cigarettes and tobacco sticks – to 29.52¢ per unit (from 27.52¢)
- cigars – to 75% of the suggested retail selling price (from 60%)
- fine cut tobacco – to 40¢ per gram (from 26¢)
- other tobacco products – to 40¢ per gram (from 18.52¢)

Vaping product tax

The budget introduces a tax on all vaping products sold in Nova Scotia. Effective September 15, 2020:

- vaping substances will be taxed at a rate of 50¢ per millilitre
- vaping devices and their components will be taxed at a rate of 20% of their suggested retail selling price

Let's talk

For a deeper discussion of how these tax measures affect you or your business, please contact:

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