



2027 Nova Scotia Pre-Budget Proposal

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> About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a citizen's group dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive Action Updates emails. Financial supporters can also receive the CTF's flagship publication *The Taxpayer* magazine published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board and representatives are prohibited from holding a membership in any political party. In 2024-25, the CTF raised \$6.6 million on the strength of 75,231 donations. Donations to the CTF are not deductible as a charitable contribution. The CTF does not accept foreign funding.



Executive Summary

Last year, the Nova Scotia government delivered meaningful tax cuts that put more money back into the pockets of hard-working Nova Scotians. These included a one-percentage-point reduction in the HST, an increase in the basic personal amount, a reduction in the small business tax rate, and an increase in the small business income threshold.

This year, Budget 2026–27 went in the opposite direction. It delivered no new tax relief and removed the plan to stop increasing the provincial debt.

Meanwhile, the province's finances are getting worse, not better. Nova Scotia ran a \$1.25 billion deficit in 2025–26, the largest in its history.¹ The government plans to borrow another \$1.19 billion this year.² That is \$668 million more than it projected in its own budget one year earlier.³

Spending is at a record \$18.9 billion, up \$1.4 billion or 7.8 per cent from last year's budget.⁴ The government says it is finding savings. Yet its "fiscal stability plan" targets just \$305 million in reductions this year.⁵ That is less than a quarter of the spending increase in the same budget.

The plan to stop increasing the debt is gone. Last spring, the government projected a return to balance in 2028–29.⁶ Budget 2026–27 projects increasing debt in every year of the fiscal plan, through at least 2029–30.⁷

Net debt was \$20.8 billion at the end of 2024–25. It will hit \$27.9 billion this year and \$35.9 billion by 2029–30.⁸ The government's own debt-to-GDP guardrail is 40 per cent. The budget crosses it next year and reaches 45.4 per cent by 2029–30.⁹

Interest on the debt will cost taxpayers more than \$1 billion this year for the first time.¹⁰ That is \$2.8 million

every day, or about \$944 for every Nova Scotian, spent on interest rather than on services or tax relief.¹¹ By 2029–30, interest costs reach \$1.46 billion a year.¹²

The government must change course. It should stop borrowing, reduce spending and live within its means so the bill is not passed to the next generation. At the same time, it should keep cutting the sales tax to ease the cost of living.

The measures in this report lower the tax burden and grow the economy. They cut taxes for families and for businesses. To pay for that relief, this report relies on ending corporate welfare, bringing government pay in line with the private sector and returning non-health spending to 2022–23 levels.

The measures proposed in this submission include:

- 1. Cutting the provincial portion of the HST by 1.5 percentage points.**
- 2. Replacing business subsidies with business tax relief.**
- 3. Reducing non-health spending to 2022–23 levels.**
- 4. Bringing government compensation in line with Nova Scotia's labour market.**
- 5. Conducting a thorough spending review with the aim of reducing overall spending levels.**

With these measures, the government can deliver tax relief without adding to the debt.

This report includes two main sections: tax relief and spending reductions.

Costed Measures	Tax Relief	Budgetary Savings
Cutting the HST by 1.5 percentage points	\$464	
Replacing business subsidies with business tax cuts	\$179	\$674
Bringing non-health spending back to 2022-23 levels		\$1,298
Bringing employee compensation to market levels		\$406
Total per category	\$643	\$2,378
Net budget impact:		\$1,735

*Millions.

> Tax relief

Introduction

Nova Scotians have faced years of rising living costs. Prices in Nova Scotia are up 22.6 per cent since August 2021.¹³ And the problem is getting worse, not better.

In August 2026, Nova Scotia's inflation rate was 5.1 per cent, the highest of any province and well above the national rate of 3.0 per cent.¹⁴ Governments benefit from inflation. Higher prices mean more sales tax collected on every purchase.

The Nova Scotia government cut the provincial portion of the HST from 10 per cent to nine per cent on April 1, 2025. Budget 2026-27 did not go further.

This submission calls on the government to cut the provincial portion of the HST by another 1.5 percentage points, to 7.5 per cent. That would give families relief from the highest inflation in the country, boost incomes and support economic growth.

Nova Scotia also remains near the bottom of the country in prosperity. In 2025, Nova Scotia's real GDP per capita was \$43,689, up 1.3 per cent from 2024. Only Prince Edward Island and New Brunswick were lower.¹⁵ Nova Scotia's GDP per capita is 22 per cent below neighbouring Newfoundland and Labrador, at \$55,934.

A low GDP per capita means lower wages for workers and lower profits for local businesses. If the government wants to grow the economy, local businesses need a more competitive environment to attract capital and expand.

Attracting investment means making sure people and businesses have the money to invest and grow their local markets. The most effective way for the government to do that is to take less of it in taxes.

The Nova Scotia government made the right call in 2025 by cutting the small business tax rate and raising the income threshold.

To further stimulate investment, the government should replace corporate welfare with corporate tax cuts. Tax cuts attract investment and job creators. Studies from the OECD¹⁶ and elsewhere¹⁷ show that tax cuts, not subsidies, have a clear relationship with economic growth.

These recommendations would help Nova Scotians manage the cost of living and make the province more competitive.

Cut the provincial portion of the HST by 1.5 percentage points

Tax relief: \$464 million | \$425 per Nova Scotian¹⁸

The rising cost of living has hit Nova Scotians hard. Prices are 22.6 per cent higher than they were five years ago.¹⁹ And Nova Scotia now has the highest inflation rate in Canada, at 5.1 per cent in August 2026.²⁰

Sales taxes make higher prices worse. The tax is charged on the final price, so when prices go up, the tax bill goes up with them. This hits low-income taxpayers hardest. Sales taxes are regressive as they take a larger share of income from people who have less of it.

Nova Scotia lowered the provincial portion of the HST by one percentage point on April 1, 2025. That was the right move. But Nova Scotia's provincial sales tax is still above the national average:²¹

Province	Provincial Sales Tax (%)
Alberta	0
Saskatchewan	6%
British Columbia	7%
Manitoba	7%
Average	7.7%
Ontario	8%
Nova Scotia	9%
Quebec	9.975%
New Brunswick	10%
Newfoundland and Labrador	10%
Prince Edward Island	10%

A further HST cut would help Nova Scotians afford their bills. It would also make the province more competitive and attract taxpayers from provinces with higher rates. Nova Scotia should cut the provincial portion of the HST by another 1.5 percentage points, to 7.5 per cent. That would put Nova Scotia below the national average and give it the lowest provincial sales tax east of Manitoba.

Nova Scotia has the third-lowest GDP per capita in the country, at \$43,689 per person.²² One reason is that Nova Scotia households have some of the lowest after-tax incomes in Canada. Household disposable income was \$41,108 per person in 2024, also third-lowest among the provinces.²³ After paying their taxes, Nova Scotians have less left to spend at local businesses or invest in the local economy.

There is a clear relationship between household disposable income and household consumption, and between consumer spending and GDP growth. Research from the Brookings Institution,²⁴ the Tax Policy Center and the Tax Foundation shows the link between tax relief and economic growth.^{25 26}

The government's own budget says the one-point HST cut saves taxpayers \$309.3 million this year.²⁷ A further 1.5-point cut would leave about \$464 million a year in the pockets of Nova Scotians, to spend in the local economy and ease the burden of the highest inflation in the country.²⁸

Replacing business subsidies with business tax relief

Savings: \$674 million | Tax relief: \$179 million

Nova Scotia's labour market has not found its footing since the pandemic. Since 2019, government sector employment in the province has grown 24.5 per cent. Private sector employment has grown 10.2 per cent.²⁹ Government payrolls are growing more than twice as fast as the businesses that pay for them. The government should improve the outlook for businesses with tax relief that frees up cash flow and allows for growth.

Growing the economy and finding work for out-of-work Nova Scotians is not a matter of helping a handful of sectors. It depends on creating a favourable business environment for all sectors.

Other factors, such as regulatory burdens, the tax regime, workforce education and transportation infrastructure, have a much bigger impact on where businesses locate than one-off financial aid packages at taxpayers' expense.³⁰ Subsidies are icing on the cake for companies that have already weighed the risks and returns.

Economic research has found no statistically significant relationship between business subsidies and economic growth or per capita GDP. The Fraser Institute's August 2026 review of the evidence concluded that "an extensive body of research shows there is little connection between sustained, widespread economic growth or job creation and corporate subsidies."³¹ What is clear is that the level of corporate taxation, compared to competing jurisdictions, affects a company's profitability, and ultimately its bottom line and growth.

In other words, competitive tax rates attract job creators and investment. Lower rates also lower the cost of capital, so businesses can reinvest in themselves.

Provincial general corporate tax rates ³²	
Canadian Jurisdiction	General corporate tax rate
Prince Edward Island	15%
Newfoundland and Labrador	15%
Nova Scotia	14%
New Brunswick	14%
Provincial Average	12.5%
Manitoba	12%
Saskatchewan	12%
British Columbia	12%
Quebec	11.5%
Ontario	11.5%
Alberta	8%

Source: Provincial government websites

The province cut the small business tax rate in 2025. But Nova Scotia's general corporate tax rate of 14 per cent is still above the 12.5 per cent provincial average and tied for third-highest in the country.

Corporate welfare costs Nova Scotia taxpayers \$674 million a year.³³ That is \$622 for every person in the province.³⁴ It is equal to 68 per cent of everything the province collects in corporate income tax.³⁵ And it is growing fast: Provincial business subsidies have more than doubled since 2015, up 122 per cent after inflation.³⁶

Replacing subsidies with broad-based tax relief has another advantage as it removes economic distortions. Nova Scotia's growth should not depend on the government picking winners in a few sectors. It should come from letting every business compete on a level field.

The province should eliminate business subsidies and use part of the savings to cut corporate tax rates by 20 per cent. That would lower the small business rate from 1.5 to 1.2 per cent and the general rate from 14 to 11.2 per cent. Nova Scotia would go from the third-highest general rate in the country to the second-lowest, well below the provincial average. Businesses of every size would save \$179 million a year.³⁷

Even after that tax cut, eliminating subsidies would leave the province \$495 million a year better off. Those savings should go toward closing the deficit.

> Finding Savings in Government Expenditure

Introduction

Nova Scotia is running a \$1.19 billion deficit this year, and the province plans to keep borrowing until at least 2029–30.³⁸ It is fundamentally unfair to keep piling debt onto Nova Scotians who are too young to vote, or not yet born.

The recommendations below identify where the government can find savings to balance the budget and reduce debt, while still providing tax relief to families and growing the economy.

Reducing government non-health spending to 2022–23 levels

Estimated savings: \$1.3 billion

Government spending and debt in Nova Scotia are out of control. Net debt was \$17 billion in March 2021.³⁹ It reached \$24 billion this past March, and the government plans to push it to \$35.9 billion by 2029–30.⁴⁰ That is more than double in less than a decade.

This rapidly increasing debt is unfair to future generations. The government's fiscal approach must change.

During the 2021 election, the Progressive Conservatives promised to “fix” health care. Premier Tim Houston has repeatedly said deficit spending is necessary to improve the province's health-care system.

But health care is not where most of the new money is going. Since Budget 2022–23, total spending has grown by \$5.6 billion. Health and Wellness accounts for \$2.4 billion of that increase. The other \$3.2 billion, 57 per cent, went to everything else.⁴¹

Spending outside Health and Wellness and debt servicing has grown 34 per cent since Budget 2022–23. Inflation and population growth together account for 18 per cent.⁴² The rest is real growth in the size of government.

In Budget 2022–23, the government said \$8.3 billion was enough to run every department outside Health and Wellness. Adjusted for inflation and population growth, that is \$9.9 billion today. Budget 2026–27 spends \$11.2 billion.⁴³

This submission proposes that the government return non-health spending to 2022–23 levels, adjusted for inflation and population growth. That would save taxpayers \$1.3 billion a year, enough on its own to eliminate the deficit.

Bringing government compensation in line with Nova Scotia's labour market

Estimated savings: \$406 million

Salaries and benefits are the second-largest line in the province's books, and closing fast on the largest. In 2024–25, the province spent \$6.44 billion on employee compensation, up 11.3 per cent in a single year and just \$12 million behind everything it spends on grants and subsidies.⁴⁴ That is 69 per cent of everything the province collects in provincial taxes.⁴⁵

In fairness to the taxpayers who pay those salaries, and to free up money for tax relief, the government must bring its compensation costs in line with what non-government workers in Nova Scotia earn.

After adjusting for a dozen characteristics including age, education, tenure, industry and occupation, the Fraser Institute found that government workers in Atlantic Canada earn a 6.3 per cent wage premium over comparable private-sector workers.⁴⁶ That is before counting benefits, where the gap is much wider.

Nova Scotia government workers are far more likely to have a pension. In 2024, 94 per cent of government-sector workers in Nova Scotia were covered by a registered pension plan, compared to 20.6 per cent of private-sector workers.⁴⁷ Their pensions are also more generous. Of those with a pension, 92.7 per cent of government workers had a defined benefit plan, compared to 27.5 per cent in the private sector.⁴⁸ A defined benefit plan guarantees the payout in retirement. When the fund falls short, taxpayers make up the difference.

Government workers in Nova Scotia also retire 2.5 years earlier on average, are four times less likely to lose their jobs and take 5.3 more days off for personal reasons each year than private-sector workers.⁴⁹

Nova Scotia also has more government workers than most provinces. In 2024, the province had 110 provincial, municipal, health and education employees for every 1,000 residents, compared to a national average of 94.⁵⁰ Matching the national average would mean 16,924 fewer positions and a wage bill \$1.2 billion lower.⁵¹

To bring government pay in line with the private sector, the government should reduce compensation costs by 6.3 per cent. Much of this can be achieved through attrition and by offering market rates to new hires, an approach the government has already adopted with its plan to shrink the civil service by five per cent.⁵²

To further reduce costs, the government should move new employees to a defined contribution pension plan, as is standard in the private sector.

A 6.3 per cent reduction would lower compensation costs from \$6.44 billion to \$6.03 billion, saving taxpayers \$406 million a year.

Conduct a thorough review with the aim of reducing spending

Estimated savings: Unknown

In the six years from 2020–21 to 2026–27, provincial spending rose from \$12.6 billion to an estimated \$18.9 billion, an increase of \$6.3 billion or 50 per cent.⁵³

The government knows it has a spending problem. Budget 2026–27 promised a “fiscal stability plan” with \$305 million in reductions this year, rising to \$914 million by 2029–30, and a five per cent cut to the civil service through attrition.⁵⁴ But total spending still rises in every year of the plan, from \$18.9 billion this year to \$20.2 billion in 2029–30.⁵⁵ Trimming the growth rate is not a review. The province needs to go line by line.

In 2020, the Newfoundland and Labrador government formed an independent committee to review government expenditures and determine a plan to address the province's financial challenges. The resulting report has identified \$3.6 billion in government expenditure savings over a six-year period in which the provincial government has been tasked with implementing.⁵⁶

In similar efforts to balance the budget in the 1990s, Prime Minister Jean Chrétien's government set forth the best practices for program reviews. The review was comprehensive and applied six tests to every expense:

1. Does it serve the public interest?
2. Is government involvement necessary?
3. Is this an appropriate role for this level of government?
4. Are public-private partnerships possible/desirable?
5. Are there ways to make it more efficient?
6. Can taxpayers afford this expense?

The savings identified thanks to this process led to \$9.8 billion in spending reductions, equivalent to 18.9 per cent of federal program spending at the time.⁵⁷

This program review allowed the federal government to balance the budget in 1997-98 and pay down more than \$100 billion in federal debt before the financial crisis hit in 2008. This reduced the proportion of tax dollars going towards debt interest payments from 30 per cent

in 1996-97 down to 13 per cent in 2008-09.⁵⁸

The savings also allowed for significant tax relief, such as the GST reduction, business and personal income tax relief, and the establishment of TFSAs as a vehicle to boost household savings.

Nova Scotians facing the highest inflation in the country need tax relief. The first step is for the province to control spending.

> Conclusion

In 2025, the Nova Scotia government delivered meaningful tax relief. It has not built on it. Budget 2026–27 offered no new relief, ran a \$1.19 billion deficit and abandoned the plan to balance the budget. To afford further relief, Nova Scotia must get its finances under control.

For the coming budget, the government must change course and live within its means. It should stop borrowing and reduce spending so the bill is not passed to the next generation. At the same time, it should keep cutting the sales tax to fight the highest inflation in the country.

To leave more money in taxpayers' pockets, the government should cut the provincial portion of the HST by 1.5 percentage points, to 7.5 per cent. That would save Nova Scotians about \$464 million a year, or \$425 per person. It would give Nova Scotia the lowest provincial sales tax east of Manitoba.

Economic research is clear on the link between disposable income and economic growth.

To grow the economy, the government should make the province attractive to investment in every industry by replacing its subsidies with corporate tax cuts. Eliminating \$674 million a year in corporate welfare and cutting corporate tax rates by 20 per cent would put \$179 million back in the hands of Nova Scotia businesses and still leave the province \$495 million a year better off.

Government spending and debt are out of control. Net debt was \$17 billion in March 2021. The government plans to push it to \$35.9 billion by 2029–30, more than double in less than a decade. Interest costs will pass

\$1 billion this year and reach \$1.46 billion by 2029–30. This is a burden on future generations and demands an immediate change in fiscal strategy.

Health care is not where most of the new money is going. Since Budget 2022–23, 57 per cent of new spending has gone outside Health and Wellness. Returning non-health spending to 2022–23 levels, adjusted for inflation and population growth, would save taxpayers \$1.3 billion a year, enough on its own to eliminate the deficit.

Government workers in Atlantic Canada earn a 6.3 per cent wage premium over comparable private-sector workers, on top of far better pensions, earlier retirement and greater job security. Closing that gap is a matter of fairness to the taxpayers who pay for it, and it would save \$406 million a year.

Finally, the province must conduct a comprehensive review of its spending, drawing on Newfoundland and Labrador's independent expenditure review and the Chrétien government's program review of the 1990s. Applying the six tests to every line, starting with whether the expense serves the public interest and whether taxpayers can afford it, will find savings the government's "fiscal stability plan" has not.

Overall, the measures in this report put \$643 million back in the pockets of Nova Scotians and their businesses and save \$2.4 billion in government spending, for a net budgetary improvement of \$1.7 billion. The government projects a \$1.05 billion deficit for 2027–28. These measures would turn it into a surplus of nearly \$700 million and let Nova Scotia start paying down its debt.

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