

Nova Scotia Pre-Budget Submission 2024-25

Jay Goldberg, Interim Atlantic Director
Canadian Taxpayers Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit 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 organisation. Today, the CTF has 235,000 supporters nation-wide.

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 organisers 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 organise petition drives, events and campaigns to mobilise citizens to affect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive issue and Action Updates. Financial supporters can additionally 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 2021-22, the CTF raised \$5.1 million on the strength of 45,509 donations. Donations to the CTF are not deductible as a charitable contribution.

Prepared by Jay Goldberg, Atlantic Interim Director



Executive Summary

Near-record increases to the cost of living have hit Nova Scotians hard. Bills are now more expensive and families need relief.

To help Nova Scotians deal with soaring living costs, the government of Nova Scotia should focus on providing relief through ending bracket creep and implementing sales and income tax cuts. The government should also reduce spending in areas other than health care back to 2022 levels to help eliminate the deficit.

Over the past three years alone, Nova Scotia's net debt has increased by \$1.9 billion.¹ To date, the government has not laid out a plan to balance the budget, even over the long-term. In Budget 2023, Finance Minister Allan MacMaster projected deficits over the next three years will be as high as \$610 million. The government also plans to add nearly \$4 billion to the provincial debt over that three-year period.² For the sake of future generations, the province's deficits and debt must be brought under control now.

The measures outlined in this report aim to lower the tax burden, stimulate the economy and eliminate the deficit. They provide tax cuts to both individuals and businesses to save families money and help grow the economy. Ending bracket creep, reducing taxes and helping grow the economy means more money in the pockets of Nova Scotians who will be able to spend it as they see fit.

To finance the relief, this report relies on ending corporate welfare, reducing non-health spending to 2022 levels and finding additional efficiencies, including through reducing labour costs. It will also call on the province to review spending in every ministry to further improve the province's fiscal outlook.

The measures proposed in this submission include:

- 1. Eliminating bracket creep.**
- 2. Cutting the provincial portion of the HST by two percentage points.**
- 3. Cutting income tax bills by five per cent.**
- 4. Replacing corporate welfare with business tax relief.**
- 5. Bringing government compensation in line with Nova Scotia's labour market.**
- 6. Conducting a thorough spending review with the aim of reducing overall spending levels.**

With these proposed measures, the government will be able to provide much-needed tax relief, balance the budget and reduce the debt.

1. <https://notices.novascotia.ca/files/public-accounts/2023/pa-volume-1-financial-statements-2023.pdf>

2. <https://www.taxpayer.com/newsroom/houston-needs-to-tell-the-truth-and-end-his-debt-dive>

3. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000402&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2022&referencePeriods=20220901%2C20220901>

Costed Measures*	Tax Relief	Budgetary Savings
Ending bracket creep	\$109.0	
Cutting the HST by two percentage points	\$479.5	
Cutting all income tax bills by five per cent	\$181.0	
Replacing corporate with corporate tax cuts	\$182.2	\$225.1
Bringing non-health spending back to 2022 levels		\$940.1
Bringing employee compensation to market levels		\$440.0
Total per category	\$951.7	\$1,605.2
Net budget impact:		\$653.5

*Numbers in millions.

Tax Relief

Introduction

Nova Scotians are confronting increases in living costs that haven't been seen in decades. Canada as a whole saw prices rise by 6.9 per cent in 2022,³ while Nova Scotians were hit even harder at 7.3 per cent.⁴ The cost of food increased at a rate of about 11.4 per cent in 2022.⁵ Rising prices continue to be of great concern in 2023.

The government of Nova Scotia is the only government in Atlantic Canada that has failed to deliver any meaningful relief to help taxpayers get through this difficult inflationary period. Nova Scotians need and deserve relief, and it should be permanent.

The first crucial step is eliminating bracket creep. Nova Scotia is the only province that still fails to index its tax brackets to inflation. Bracket creep punishes taxpayers for simply keeping up with higher living costs. Given that inflation in recent years has been at a level not seen for decades, bracket creep has been all the more painful.

Had personal income tax brackets been indexed since they were last changed in 2000, a taxpayer earning \$50,000 this year would be paying nearly \$1,135 less in income taxes.⁶ It is time for the government to stop profiting off of inflation by finally indexing tax brackets to the rate of inflation.

Relief should not stop there. Governments also profit off of inflation through higher sales tax revenue. When the prices of goods rise, so too does revenue brought in from sales taxes. The government should respond to that reality by cutting the provincial portion of the HST from 10 per cent to eight per cent. Doing so will help lower costs for consumers nearly everywhere they shop.

The government should also cut income taxes across the board by five per cent to help make up for years of over-taxation through bracket creep.

The above recommendations would not only provide inflation relief for families and boost incomes, but it would also lead to higher economic growth and more prosperity.

There is a clear prosperity gap between Nova Scotia and the rest of Canada. Out of 10 provinces, Nova Scotia's GDP per capita was ninth compared to all other provinces. In 2022, GDP per capita was \$38,810, compared to \$51,049 in Ontario and \$73,742 in Alberta.⁷

This translates to lower salaries for workers and lower profits for local businesses. As the government aims to grow the province's economy, addressing this gap through growing business investment should be at the top of its economic priorities.

4. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000402&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2022&referencePeriods=20220901%2C20220901>

5. <https://www150.statcan.gc.ca/n1/daily-quotidien/221019/dq221019a-eng.htm>

6. Author's calculations

7. <https://economicdashboard.alberta.ca/dashboard/gdp-per-capita/#section2>

Growing business investment involves making sure individuals and businesses have the funds available to make investments and grow their local markets. An effective way for the government to do this is to take less cash out of citizens' and local businesses' pockets by reducing their taxes.

Recent periods of low levels of business investment have been cited as a main reason why Atlantic Canada has struggled relatively in economic growth compared to the rest of the country.⁸

To help further stimulate investment, the government should replace corporate welfare with business tax relief. Tax cuts attract investment and job creators. Studies from the OECD and elsewhere show that tax cuts, not subsidies, have a clear relationship with economic growth.^{9 10}

Reducing taxes also has an added benefit of increasing competitiveness with other jurisdictions, incentivising new businesses and individuals to set up and invest in Nova Scotia, rather than in some other jurisdiction.

Given the heavy tax burden that Nova Scotians shoulder, at nearly 36 per cent of GDP,^{11 12} there is room to reduce it to stimulate the province's economy and provide relief.

These recommendations would help Nova Scotians better afford their bills and increase competitiveness.

Eliminate bracket creep

Tax relief: \$109.0 million¹³

Nova Scotia is the only province that fails to index its tax brackets to inflation. That means taxpayers are forced into higher tax brackets when they simply receive cost of living pay raises. The federal government and other provinces fix this problem by indexing tax brackets to inflation. Failing to index brackets is nothing more than a covert tax hike.

Apart from a few changes to the basic personal amount, tax brackets in Nova Scotia have remained unchanged since 2000.¹⁴ Meanwhile, the purchasing power of a dollar has gone down by 50.6 per cent.¹⁵

Indexation would have a significant impact on Nova Scotians in the long run as the impact of bracket creep compounds year over year. Nova Scotia should change its Income Tax Act, so the basic minimum amount and tax brackets are indexed to the consumer price index. The table below provides an overview of the impact bracket creep since 2000 is having on this year's tax bill for three sample income earners.

Cost of Bracket Creep since 2000

Income earner	Extra taxes paid this year due to bracket creep
\$50,000	\$1,135.00
\$70,000	\$1,479.00
\$90,000	\$1,771.00

Source: Canadian Taxpayers Federation.
Base Year: 2000.

8. <https://www.fraserinstitute.org/sites/default/files/promoting-capital-investment-in-atlantic-canada.pdf>

9. <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

10. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

11. <https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610022201>

12. <https://cftp.recherche.usherbrooke.ca/wp-content/uploads/2021/01/Bilan-de-la-fiscalite-Edition-2021.pdf>

13. Authors calculations.

14. <https://nslegislature.ca/sites/default/files/legc/statutes/income%20tax.pdf>

15. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501&pickMembers%5B0%5D=1.7&cubeTimeFrame.startYear=2000&cubeTimeFrame.endYear=2020&referencePeriods=20000101%2C20200101>

Cut the provincial portion of the HST by two percentage points

Tax relief: \$479.5 million | \$710 per household

Inflation has hit Nova Scotians hard in recent years. Necessities have only gotten more expensive, with the cost of living rising in 2022 by 7.3 per cent.¹⁶ Rising prices remain of great concern in 2023.

To help families and businesses directly deal with the issue of high prices, the government should lower the provincial portion of the HST.

Sales taxes exacerbate issues caused by inflation. Since the tax is applied at the end of transactions, higher prices means higher taxes. This problem hits low-income taxpayers the hardest, as sales taxes are regressive.

The government can help families afford their higher bills by charging them less when they go to buy things they need.

Nova Scotia is tied with the other Atlantic provinces for the highest sales taxes in Canada.¹⁷ Reducing the total tax to 13 per cent would see Nova Scotia with the lowest sales tax in the region.

Lowering the HST would not only help Nova Scotians better afford their bills, but it would also increase competitiveness and attract consumers looking to save on their tax bills. Sales tax revenue was \$162.5 million higher in the previous fiscal year than originally projected.¹⁸ This windfall should be passed back to Nova Scotians in the form of tax relief.

Nova Scotia has the second-lowest level of GDP per capita in the country at \$38,810 per person.¹⁹ The fact that Nova Scotia households have an after-tax disposable income level that is nine per cent below the national average is a major factor behind the province's poor economic performance.²⁰ This means that after Nova Scotians have paid all of their taxes, they have less cash available to spend in local businesses or to invest in the local economy. This only becomes worse after considering near-record levels of inflation over the past two years.

There is a clear relationship between household disposable income and household consumption, and between consumer spending and GDP growth. Economic research from the Brookings Institute, the Tax Policy Centre and the Tax Foundation is all clear about the link between tax relief measures and economic growth.^{21 22 23}

Lowering the HST by two percentage points would free up \$479.5 million to be invested into the local economy and help families ease the burden of inflation.²⁴

16. <https://www150.statcan.gc.ca/n1/daily-quotidien/221019/dq221019a-eng.htm>

17. <https://www.retailcouncil.org/resources/quick-facts/sales-tax-rates-by-province/>

18. <https://beta.novascotia.ca/sites/default/files/documents/6-3544/ftb-bfi-001-en-budget-2023-2024.pdf>

19. <https://royal-bank-of-canada-2124.docs.contently.com/v/hot-provincial-momentum-to-lose-steam1>

20. <https://royal-bank-of-canada-2124.docs.contently.com/v/provinces-enter-advanced-stages-of-recovery-in-2022.pdf>

21. https://www.brookings.edu/wp-content/uploads/2016/06/09_effects_income_tax_changes_economic_growth_gale_samwick.pdf

22. <https://www.taxpolicycenter.org/briefing-book/how-do-taxes-affect-economy-long-run>

23. <https://taxfoundation.org/what-evidence-taxes-and-growth/#:~:text=In%20sum%2C%20the%20U.S.%20tax,a%20higher%20standard%20of%20living>

24. <https://beta.novascotia.ca/sites/default/files/documents/6-3544/ftb-bfi-001-en-budget-2023-2024.pdf>

Cutting income tax bills by five per cent

Tax relief: \$181.0 million

Nova Scotians are significantly overtaxed, in part because of bracket creep. The government has been profiting off of failing to index tax brackets for too long. While bracket creep may have been less obvious to some prior to the pandemic due to low levels of inflation, its impact has been profound over the past two years. To help offset the impact of more than two decades of bracket creep, the government should cut income tax bills across the board by five per cent.

Another reason the province should cut income taxes is because it is becoming less competitive. New Brunswick recently introduced income tax cuts impacting most brackets for the 2023 tax year. A taxpayer living in New Brunswick earning \$75,000 a year now pays \$1,787 less in provincial income tax than a taxpayer in Nova Scotia.²⁵ For the sake of economic competitiveness and allowing families to make ends meet, Nova Scotia should follow New Brunswick's lead in reducing income taxes.

By lowering the province's income tax burden by five per cent, the government would directly inject \$181.0 million dollars into the local economy.²⁶

The following chart shows the impact such reductions in income tax bills would have for Nova Scotians.

Taxable income	Current tax bill	Tax bill with proposed tax cut	Savings under proposed plan
\$50,000	\$4,429	\$4,208	\$221
\$70,000	\$7,585	\$7,206	\$379
\$90,000	\$10,949	\$10,402	\$547

Source: Wealth Simple.

Replacing corporate welfare with business tax relief

Savings: \$225.1 million

Tax relief: \$182.2 million

High inflation has made life more difficult for businesses and consumers alike, while the province's economy has continued to stagnate. The government should improve outcomes for businesses by providing tax relief to free up cash flow and allow for growth.

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

Other factors, such as regulatory burdens, tax regime, workforce education, and availability of transportation infrastructure, have a much bigger impact on decisions to locate in one jurisdiction than one-off financial aid packages at taxpayers' expense.²⁷ Subsidies merely act as icing on the cake for companies who have already analyzed the risks and potential returns for their project.

25. <https://www.wealthsimple.com/en-ca/tool/tax-calculator/nova-scotia>

26. <https://notices.novascotia.ca/files/budget-forecast-notices/budget-forecast-update-september-2022.pdf>

27. <https://www.brookings.edu/wp-content/uploads/2016/06/cohen-1.pdf>

28. <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

Economic research found no statistically significant relationship between business subsidies and economic growth or per capita GDP levels.²⁸ What is clear is that the level of corporate taxation affects a company's profitability, and ultimately its bottom-line and growth.²⁹

In other words, competitive tax rates attract job creators and direct investment.³⁰ Lower tax rates also contributes to lowering the cost of capital for job creators, thus increasing their ability to re-invest in their company.³¹

Provincial general corporate tax rates

Canadian Jurisdiction	General corporate tax rate
Prince Edward Island	16%
Newfoundland and Labrador	15%
Nova Scotia	14%
New Brunswick	14%
Canadian Provincial Average	12.7%
Manitoba	12%
Saskatchewan	12%
British Columbia	12%
Quebec	11.6%
Ontario	11.5%
Alberta	8%

Source: Provincial government websites.

Compared with other provinces, Nova Scotia's corporate tax rate puts the province at a disadvantage, at 14 per cent versus the 12.7 per cent national average.³²

Last year, the government of Nova Scotia spent \$225.1 million sending direct and indirect subsidies for specific economic sectors through a variety of government funds and programs.³³ This is equivalent to 30 per cent of what the province collects through corporate income taxes.³⁴

Replacing corporate welfare with corporate tax cuts would have an added advantage: reducing the economic distortion associated with targeted financial measures.³⁵ Nova Scotia's economic strength should not be based on growth expectations in a few targeted sectors, but rather by a broad-based growth of its economic pie and the associated employment and incomes that come with it.

The province should replace these subsidies with a tax cut in the general and small business tax rates by 20 per cent. Lowering the small business tax rate from its current 2.5 percentage points to two percentage points, and the general corporate tax rate from its current 14 percentage points to 11.2 percentage points, would put Nova Scotia's corporate tax rate under the national average and amount to \$148.1 million in savings for Nova Scotia businesses of all sizes.³⁶

29. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

30. <https://www.oecd.org/mena/competitiveness/41997578.pdf>

31. https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF477.pdf

32. <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-tax-rates.html>

33. <https://notices.novascotia.ca/files/public-accounts/2022/pa-volume-1-financial-statements-2022.pdf>

34. <https://beta.novascotia.ca/sites/default/files/documents/6-3544/ftb-bfi-001-en-budget-2023-2024.pdf>

35. https://www.jec.senate.gov/public/_cache/files/fe2eafaa-f355-462f-b515-15ad4a8f5e74/the-inefficiency-of-targeted-tax-policies-april-1997.pdf

36. <https://notices.novascotia.ca/files/public-accounts/2022/pa-volume-1-financial-statements-2022.pdf>

Finding Savings in Government Expenditure

Introduction

Increases in the cost of living have hit near-record levels in Canada and Nova Scotia. Further government borrowing will only help to fuel additional inflation. Now is the time to get government spending under control.

Nova Scotia's debt has increased by a staggering \$1.9 billion over the past two years alone. The government also plans to add nearly \$4 billion more to the provincial debt over the next three years.³⁷ Such an approach is unfair to future generations, who will be stuck with the bill.

This section outlines various ways Nova Scotia can save money in the next fiscal year. Proposals included here would be sufficient in ensuring that Nova Scotia's budget is balanced next year, even when accounting for the tax cut proposals outlined previously.

Reducing government non-health spending to 2022 levels

Estimated Savings: \$940.1 million

Government spending and debt in the province of Nova Scotia has gotten out of control in recent years. The provincial debt has increased by \$1.9 billion in the last three years alone and the government expects to add nearly another \$4 billion to the provincial debt over the next three years.³⁸ This rapidly increasing debt is unfair to future generations. The government's fiscal approach must change.

During the 2021 Nova Scotia provincial election, the Progressive Conservatives promised to "fix" health care. Premier Tim Houston has repeatedly said that deficit spending is necessary to improve the state of the province's health-care system. Yet two out of every three new dollars now being spent over and above 2021-22 levels is not going toward health care.³⁹ This pre-budget submission is proposing that the government moderately reduce government spending by returning to 2022-23 spending levels, other than in the health sector. Such a move would save taxpayers nearly \$1 billion next year alone⁴⁰ and play a major role in allowing the government to balance the books.

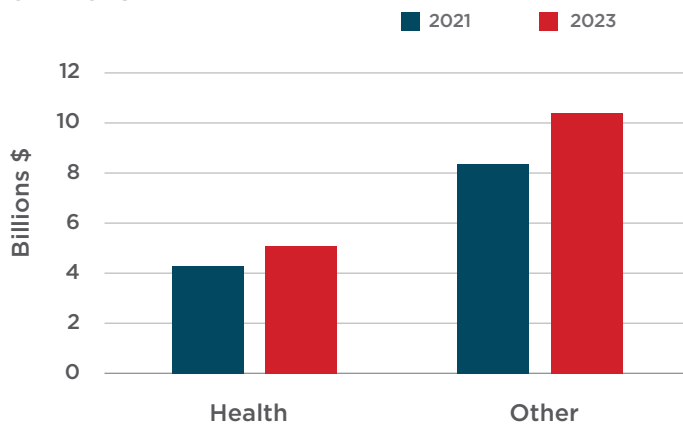
37. <https://www.taxpayer.com/newsroom/houston-needs-to-tell-the-truth-and-end-his-debt-dive>

38. <https://www.taxpayer.com/newsroom/houston-needs-to-tell-the-truth-and-end-his-debt-dive>

39. <https://beta.novascotia.ca/sites/default/files/documents/6-3544/ftb-bfi-001-en-budget-2023-2024.pdf>

40. <https://beta.novascotia.ca/sites/default/files/documents/6-3544/ftb-bfi-001-en-budget-2023-2024.pdf>

Change in Government Spending 2021-2023



Source: Nova Scotia Public Accounts, 2021 and 2023.

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

Estimated Savings: \$468.8 million

Salaries and wages have represented the second largest line-item in the government of Nova Scotia's budget over the past five years.⁴¹

In 2023, the province is spending over \$5.1 billion employee compensation, representing over 60 per cent of what it collected via taxes.⁴² In the interest of fairness, and to free up resources for much-needed inflation relief, the government must make sure its employee compensation costs are in line with that of non-government workers in Nova Scotia.

After adjusting for 12 different individual characteristics, it has been found that the average government employee in Canada earns an 8.5 per cent wage premium over their private sector counterparts.⁴³ The cost of paying government employees in Nova Scotia has also seen a 25 per cent increase since 2019.⁴⁴

Government employees are also more likely to be enrolled in a pension plan than a private sector employee. Only 39.9 per cent of private employees are covered by a pension plan compared to 90.6 per cent of those that work for the government.⁴⁵

The type of pension plan given to government employees is also typically much more generous than those of the private sector. Of those who have a pension in the government sector, 97.9 per cent of them are defined benefit plans, compared to only 24.2 per cent of plans for those covered in the private sector.⁴⁶ A defined benefit plan offers the employee a guaranteed benefit during retirement. This guarantee is often on the back of taxpayers who would be saddled with the cost of a bailout if pension funds do not perform well.

Those who work for the government in Nova Scotia also retire earlier and have higher levels of job security than those who work in the private sector.⁴⁷

To bring government employee wages in line with private sector practices, the government of Nova Scotia must implement an 8.5 per cent reduction in compensation costs. Some of this can be achieved through attrition and offering lower compensation to any new employees.

41. <https://notices.novascotia.ca/files/public-accounts/2023/pa-volume-1-financial-statements-2023.pdf>

42. <https://notices.novascotia.ca/files/public-accounts/2023/pa-volume-1-financial-statements-2023.pdf>

43. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf>

44. <https://www.calculatorsoup.com/calculators/algebra/percent-change-calculator.php>

45. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-canada-2023.pdf>

46. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-atlc-2021.pdf>

47. <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-atlc-2021.pdf>

48. <https://notices.novascotia.ca/files/public-accounts/2023/pa-volume-1-financial-statements-2023.pdf>

This will reduce the estimated cost for government salaries and benefits from \$5.1 billion to \$4.6 billion,⁴⁸ saving Nova Scotia taxpayers an estimated \$468.8 million by the end of the next fiscal year. These savings can be used to provide much needed tax-relief for taxpayers, while securing the fiscal sustainability of the government of Nova Scotia.

Conducting a thorough review with the aim of reducing spending

Estimated savings: Unknown

Over the course of the last five years, spending in Nova Scotia has gone up by \$3.7 billion, or about 32 per cent.⁴⁹ The government's culture of runaway spending must change.

In its efforts to balance the budget in the nineties, 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:⁵⁰

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.⁵¹

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 2008.⁵² 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 2008-09.⁵³

The savings also allowed for significant tax relief, such as GST reduction, business and personal income tax relief, and the establishment of TFSAs as a vehicle to boost household savings.⁵⁴

49. <https://notices.novascotia.ca/files/public-accounts/2023/pa-volume-1-financial-statements-2023.pdf>

50. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

51. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

52. https://www.rbc.com/economics-subscriber/pdf/Template-provincial%20fiscal%20tables_October2022.pdf?_ga=2.45019876.1912156774.1668026480-1443291271.1665068851

53. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

54. https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf

Conclusion

Nova Scotia is in a difficult fiscal position due to reckless spending and borrowing in recent years. Moreover, the situation is only going to get worse without change. The Ministry of Finance is currently projecting the province's deficit will continue to rise and hit \$610 million by 2025-26.⁵⁵ The government has also failed to lay out any plan to balance the books.

Significant spending restraint will be needed in the years ahead to put Nova Scotia back on a sustainable path. This pre-budget submission has laid out a plan to reduce government spending by \$1.6 billion, which will allow the government to both balance the budget in 2024-25 and cut taxes.

Nova Scotians continue to confront challenges related to inflation. The province should deliver universal tax relief to meet the moment. Doing so will increase household incomes and enhance Nova Scotians' ability to spend and invest in local businesses.

Nova Scotia is the only province that fails to index its income tax rates to inflation. This leads to a situation where families are faced with a tax hike year after year, even if their real incomes haven't grown. Living costs have skyrocketed over the past two years, forcing families to make tough choices.

To make life more affordable, the government should index its income tax brackets to inflation, reduce the sales tax by two percentage points and lower income taxes by five per cent. Indexing tax brackets and reducing sales and income taxes would result in \$769.5 million being injected back into the local economy.

To further help the province's economy grow, the government should also take steps to make the province more attractive to investment in all industries by replacing its subsidies with business tax relief. Reducing the business income tax by 20 per cent and eliminating corporate welfare would see the government save \$225.1 million and put \$182.2 million directly back into the hands of Nova Scotia businesses.

Given the wage and benefit premium enjoyed by government employees over those in the private sector and the impact of rising compensation on the government's bottom line, it is necessary to make fundamental changes and reduce the cost of government employee compensation. Eliminating the compensation gap between private sector employees and those working for government promotes fairness and would save taxpayers \$468.8 million next year alone.

Overall, the measures recommended in this report will put \$951.7 million back in Nova Scotians' pockets and save about \$1.6 billion in government operations. This will have a net positive budgetary impact of \$653.5 million, allowing the government to eliminate its projected 2024-25 deficit and reduce the provincial debt by hundreds of millions of dollars.

55. <https://beta.novascotia.ca/sites/default/files/documents/6-3544/ftb-bfi-001-en-budget-2023-2024.pdf>