

2004 Budget Breakfast

March 24, 2004

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Budget in Brief

- **7th consecutive balanced budget**
- **No major tax changes**
- **Targeted health care funding**
- **Governance and accountability initiatives**
- **Not a traditional pre-election budget**
- **No emphasis on debt reduction**

Goodale's Figures

Projected Budget Surplus Figures

	2003/04	2004/05	2005/06
Expected Surplus	5.5	4.2	6.6
2004 Budget	(3.6)	(2.2)	(2.5)
Asset Sale (Petro Canada)	0	2.0	0
Contingency Reserve	(1.9)	(4.0)	(4.0)
Budget Surplus	0	0	0

Key Indicators

	Forecast (03/04)	Actual (03/04)	Budget (04/05)
GDP Growth Rate	3.2%	1.7%	2.7%
Unemployment Rate	7.3%	7.6%	7.5%
Inflation Rate	2.2%	3.4%	1.4%
Debt to GDP Ratio	42%	42%	40%
Net Public Debt	\$510 billion	\$508 billion	\$504 billion

Tax Changes

- Acceleration of small business limit
 - \$300,000 by 2005
- Higher depreciation for computer equipment
- Loss carry forward – extended to 10 years
- Deduction from taxable income for high-risk military missions
- Deductibility of fines and penalties
- Income Trusts

Missing Tax Measures

- No tax paid savings plan
- No changes to personal tax rates
- No changes to business tax rates

Health Care Spending

- Additional \$2 billion confirmed
- Canadian Public Health Agency – \$404 million
- Public Health Emergencies Readiness – \$665 million
 - \$165 million to “Regional Centres of Excellence”
 - \$500 million for public health surveillance systems
- **No** additional transfers to the provinces

Other Spending

- GST rebate for municipalities confirmed
 - \$7 billion over 10 years
- Enhanced education funding for low income families
- Acceleration of \$1 billion infrastructure fund
- \$4 billion over 10 years to clean up contaminated sites
- Promise to negotiate sharing of gasoline tax with municipalities

Other Spending

- Military capital investment - \$300 million in 2005/06
- Increased venture capital funding through BDC - \$250 million
- Additional funding for commercialization of university based research – limited impact?

Other Items

- Sale of 19% stake in Petro Canada – \$2 billion gain
 - Part will be used to fund environmental technology research
- Federal / provincial equalization
- Canada Television Fund – funding restored
- New charities rules

Tax Burden

"The Whole Truth and Nothing but the Truth"

- Nova Scotia – Now & Then
- Nova Scotia vs Canada



Nova Scotia – Now & Then

- Personal income tax burden has declined

	2000	2003	2004
\$60,000	\$17,908	\$16,773	\$15,926
\$100,000	\$36,872	\$34,008	\$32,212
\$200,000	\$85,662	\$81,206	\$77,487

- Other personal taxes have increased

Conclusion: Overall tax burden has not changed

Nova Scotia – Now & Then

- Corporate income tax burden

	2000	2003
\$100,000	\$18,120	\$18,120
\$500,000	\$171,600	\$149,600
\$1,000,000	\$397,200	\$350,200

- Other taxes have increased

Conclusion: Overall tax burden for...

Small business has increased

Big business has been mixed

Nova Scotia vs Canada

- Personal income tax burden is not competitive

	Nova Scotia 2003	National Average 2003	Nova Scotia 2004
\$60,000	\$16,773	\$16,133	\$15,926
\$100,000	\$34,008	\$32,805	\$32,212
\$200,000	\$81,206	\$78,453	\$77,487

- NS ranks 7th in personal income tax burden (4th in 2004)
- Other taxes

Nova Scotia vs Canada

- Conclusion:
 - Nova Scotia was not competitive with the rest of Canada in 2003
 - Nova Scotia appears to be competitive in 2004

Nova Scotia vs Canada

- Corporate income tax

	Nova Scotia	National Average
\$100,000	\$18,120	\$18,592
\$500,000	\$149,600	\$145,085
\$1,000,000	\$350,200	\$335,545

- Capital tax

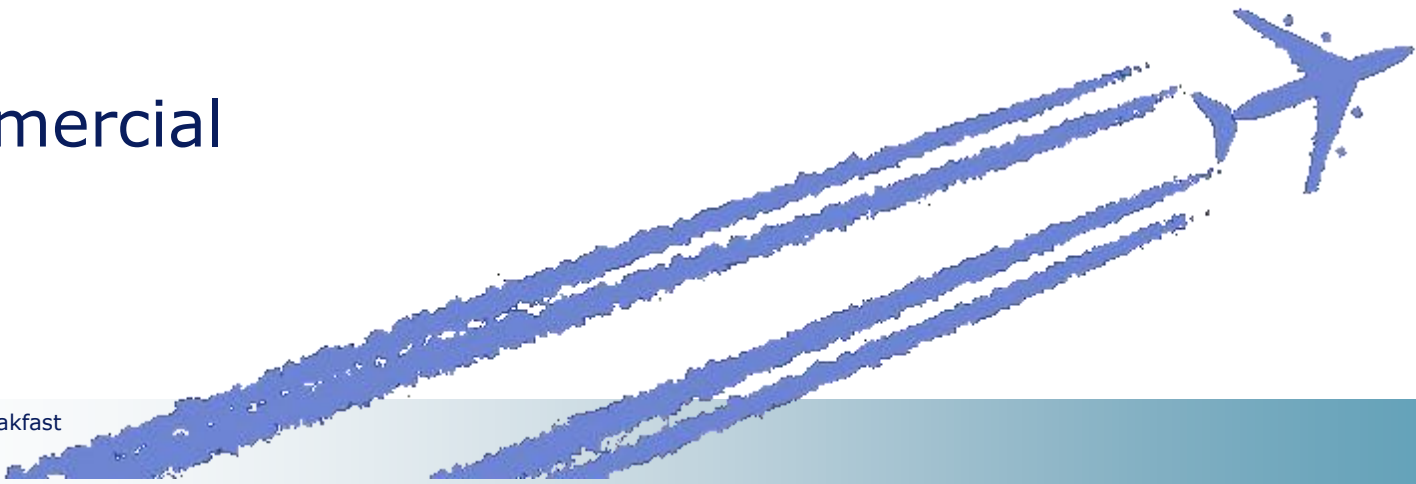
Nova Scotia vs Canada

Conclusion:

- NS is competitive in small business tax burden
- NS ranks 9th in big business tax burden

Property Taxes

- Property Tax in Nova Scotia
- Residential
- Commercial



Property Tax in Nova Scotia

- Municipal operating budgets determine the level of property taxation

Operating Budget = Mill Rate x Assessed Property

- 73% of HRM operating budget funded by property taxes
- Last 4 years - HRM Operating Budget increased 22%
- Last 4 years – HRM property taxes increased 25%

Residential Property Tax

- HRM Up 23.6% 2001-2004
- Remaining Province Up 11.7% 2001-2004
- HRM 47% of assessment value for the province
- Property tax burden last 5 years – varies widely depending on location within HRM
- 2004 assessments based on 2002 market values – significant increases in property taxes can be expected over next 2 years unless HRM reduces the mill rate or operating budget

Commercial Property Tax

- Over the past 5 years, commercial mill rate has dropped 4%-5% in urban HRM; dropped 2% in suburban HRM; risen 8% in rural HRM
- Commercial assessment value increased 46%
 - From \$3.428 billion 1999
 - To \$5.005 billion 2004

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