

**Budget Paper D**

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**TAXATION  
ADJUSTMENTS**

# TAXATION ADJUSTMENTS

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## ■ SUMMARY OF 2009 TAX MEASURES

A negative number represents a tax saving.

	2009/10	Full Year
	(Millions of Dollars)	
<b>Ongoing Reductions <sup>1</sup></b>		
Personal Tax reductions	-35.2	-35.2
Business Tax reductions	-53.7	-93.6
Farmland School Tax Rebate <sup>2</sup>	-2.2	-2.2
	<u>-91.1</u>	<u>-131.0</u>
<b>Personal Measures</b>		
Education Property Tax Credit basic amount increased <sup>2</sup>	-16.4	-16.4
Manitoba Mineral Exploration Tax Credit extended and increased	-1.0	-1.5
	<u>-17.4</u>	<u>-17.9</u>
<b>Health, Farm and Green Measures</b>		
Tobacco Tax increased	9.0	9.0
Waste Reduction and Recycling Support Levy introduced <sup>3</sup>	3.3	7.6
Green Energy Equipment Tax Credit enhanced	-0.2	-0.2
Riparian Tax Credit enhanced and extended <sup>2</sup>	-0.1	-0.1
Retail Sales Tax exemption on manure tanks and lagoon liners made permanent	-0.1	-0.1
Odour Control Tax Credit extended	-0.1	-0.1
	<u>11.8</u>	<u>16.1</u>
<b>Measures for Businesses</b>		
Small business tax rate reduced to zero	-0.3	-9.5
Capital Cost Allowance rates extended: manufacturing machinery, computers <sup>4</sup>	-5.2	-7.3
Community Enterprise Investment Tax Credit enhanced	-5.0	-5.0
Advanced Level Apprentices Hiring Incentive introduced	-0.6	-3.0
Interest deductibility on certain foreign affiliate loans restored <sup>4</sup>	0.0	-2.4
Mining Tax rates reduced	-1.7	-1.7
Research and Development Tax Credit enhanced	-0.3	-1.0
	<u>-13.1</u>	<u>-29.9</u>
<b>Other Changes</b>	<b>-0.7</b>	<b>-0.9</b>
<b>Total Changes, 2009 Budget</b>	<b>-19.4</b>	<b>-32.6</b>
<b>Total Changes Including Ongoing Tax Reductions</b>	<b>-110.5</b>	<b>-163.6</b>

<sup>1</sup> Ongoing tax reductions are those that were announced in previous budgets to take effect in 2009:

- (a) the increase in the Basic Personal, Spousal and Eligible Dependent amounts;
- (b) the reduction in the first bracket rate and the increase in the bracket thresholds;
- (c) enhancements to the Personal Tax Credit and commencement of the Primary Caregiver Tax Credit;
- (d) the decrease in both Corporation Income Tax rates;
- (e) the reduction in the Corporation Capital Tax rates;
- (f) the increase in the Farmland School Tax Rebate from 70% to 75%.

<sup>2</sup> Expenditure program.

<sup>3</sup> The amounts are targeted for recycling and waste management and are not revenue in the Consolidated Fund.

<sup>4</sup> Parallels 2009 federal budget changes, pursuant to the Tax Collection Agreement.

## ■ PERSONAL MEASURES

### EDUCATION PROPERTY TAX CREDIT

(2009/10 expenditure impact: \$16.4 million)

The basic amount of the Education Property Tax Credit (EPTC) is increased from \$600 to \$650 in 2009.

Homeowners with sufficient property taxes will have this amount subtracted from their 2009 property tax bills, with the Province reimbursing school divisions and municipal governments accordingly. Renters with sufficient occupancy costs will receive the increased amount when they file their 2009 income tax return in the spring of 2010. The basic amount of the EPTC is not income-tested and is especially beneficial to many low-income households that do not pay income tax.

This measure saves homeowners and renters \$16.4 million on a full-year basis.

*For more information, contact Location B, page D12*

### PERSONAL INCOME TAX

#### Registered Disability Savings Plan

(2009/10 revenue impact: not applicable)

The taxable portion of withdrawals from Registered Disability Savings Plans (RDSPs) will be excluded from family net income for the purposes of three refundable Manitoba tax credits.

RDSPs were introduced effective December 2008. Eligibility for RDSPs coincides with eligibility for the disability income tax credit, and is not restricted to minors. Anyone can contribute to a person's RDSP. However, a beneficiary must be under 51 years of age for a contribution to qualify for the additional federal Canada Disability Savings Grant or Canada Disability Savings Bond. Contributions can be made until the year in which the beneficiary turns 59, to a maximum lifetime \$200,000 per beneficiary. There is no minimum age for a beneficiary to register an RDSP, but withdrawals must be made starting at age 60.

Payments from the RDSP to a beneficiary are taxable, in part. The taxable portion of the RDSP withdrawal will not be included as family net income for purposes of three refundable Manitoba individual tax credits: the Education Property Tax Credit, the School Tax Credit for Homeowners, and the Personal Tax Credit.

It is estimated that 11,000 Manitobans with disabilities could potentially benefit from RDSPs. Without this change in family net income, RDSP drawings would eventually claw back an individual RDSP beneficiary's tax credits. The amendment to family net income will progressively eliminate the clawback of an estimated \$550,000 in tax credits as take-up and accumulations in RDSPs ramp up over the years.

*For more information, contact Location B, page D12*

## Primary Caregiver Tax Credit

(2009/10 revenue impact: not applicable)

Changes in this program will ensure that caregivers of adults and children with disabilities in two major social programs will be able to access the tax credit more easily.

The Primary Caregiver Tax Credit (PCG-TC) was introduced in the 2008 Budget, commencing in the 2009 tax year, to provide recognition and financial support to individuals who serve as volunteer primary caregivers for more than three continuous months. This program builds upon the Manitoba Home Care Program, and is intended to help care recipients live independently as long as possible. Caregiving must be provided without remuneration to a person requiring a certain minimum level of care or supervision due to barriers caused by mental or physical health issues. The primary caregiver may be a spouse, parent, or other relative; a neighbour; or a friend of the person receiving care.

Starting in 2009, the Department of Family Services and Housing (FSH) will be authorized to assess participants of two of its major programs to determine whether the participants' caregivers may be eligible for the PCG-TC. The FSH programs are the Supported Living Program, which assists adults with intellectual disabilities to live independently, and the Children's Special Services Program, which supports families who care for children with developmental or physical disabilities living at home. FSH will proactively seek to identify and assess program participants so that eligible caregivers may take advantage of the tax credit.

For the caregivers to be eligible for the credit, the PCG-TC qualification criteria still apply to these FSH program participants: they must be assessed by FSH as requiring a level of care equivalent to Manitoba Home Care's Level 2, 3 or 4. Once the FSH program participants are found to qualify, their caregivers may apply for the PCG-TC without additional approval from regional health authorities.

This new process is expected to facilitate take-up of the tax credit and streamline enrollment for up to about 3,700 FSH program participants and their primary caregivers. As is the case for all caregivers, there is a three-month qualification period, toward which caregiving as early as October 1, 2008 is counted. This will enable long-time caregivers of qualified FSH program participants to receive the PCG-TC for the full 2009 tax year.

The PCG-TC is a fully refundable Manitoba tax credit worth up to \$1,020 per year per care recipient, claimable when the caregiver files her/his personal income tax return for the year in which the credit is earned. Only one person may be designated as the care recipient's primary caregiver at any one time. A caregiver may not earn the credit for more than three care recipients at one time.

*For more information, contact Location H, page D12*

## Community Enterprise Development Tax Credit

(2009/10 revenue impact: not applicable)

The maximum value of issuable shares that a business can apply for under this program is doubled from \$500,000 to \$1,000,000, commencing in 2009.

The Community Enterprise Development Tax Credit was introduced in Budget 2003 and encourages Manitobans to invest in community-based enterprise development projects. This non-refundable personal income tax credit is equal to 30% on a maximum \$30,000 investment in equity capital.

*For additional information contact Location G, page D12*

## Mineral Exploration Tax Credit

(2009/10 revenue impact: \$-1.0 million)

The rate of this credit is increased and the program is extended to cover share agreements entered into before April 1, 2012.

The Mineral Exploration Tax Credit was introduced in Budget 2002 as a 10% non-refundable personal income tax credit that reduces Manitoba income tax otherwise payable. The credit is earned when a Manitoba taxpayer purchases flow-through shares in qualifying exploration companies to finance Manitoba mineral exploration projects. Combined with the 15% renewed federal exploration tax credit, this gives an additional incentive to invest in exploring for minerals in Manitoba.

The credit will increase in two steps: to 20% on flow-through share agreements entered into from April 1, 2009 until March 31, 2010, and to 30% on flow-through share agreements entered into from April 1, 2010 until March 31, 2012.

The full-year cost of these tax credit changes is \$1.5 million.

*For additional information contact Location D, page D12*

## ■ HEALTH, FARM AND GREEN MEASURES

### Tobacco Tax

(2009/10 revenue impact: \$9.0 million)

The Tobacco Tax is increased effective midnight, March 25, 2009. The rate will rise on cigarettes from 17.5 cents to 18.5 cents per cigarette, on fine-cut tobacco from 16.5 cents to 17.5 cents per gram, and on raw leaf tobacco from 15 cents to 16 cents per gram.

Fines and penalties for tobacco tax offences will be increased and enforcement measures will be enhanced.

*For more information, contact Location C, page D12*

### Waste Reduction and Recycling Support Levy

(2009/10 impact: \$3.3 million)

A waste reduction and recycling support levy will be introduced on licensed municipal and private landfill operators.

Beginning July 1, 2009, the largest operators of Class 1 landfills will be required to pay \$10 per tonne of waste delivered to their landfills. In 2010, the remaining Class 1 licensed landfill operators will be required to pay the weight-based levy on waste delivered after 2009. Class 2 and Class 3 operators will begin to pay the weight-based fee no later than 2011.

Of the revenue collected, 80% will be rebated to municipalities to further promote recycling in Manitoba, and 20% will fund increased provincial programs for e-waste and hazardous waste collection across Manitoba.

On a full-year basis this measure will generate an additional \$7.6 million towards recycling, e-waste and hazardous waste management. This amount will have no impact on the Province's Consolidated Fund.

*For more information, contact Location J, page D12*

## Green Energy Equipment Tax Credit

(2009/10 revenue impact: \$-0.2 million)

The Green Energy Equipment Tax Credit is extended to solar thermal energy systems purchased for use in Manitoba starting in 2009.

This refundable income tax credit was introduced in Budget 2007 for prescribed renewable energy resource equipment manufactured or purchased for use in Manitoba. In 2008, geothermal ground source heating systems were made eligible for the tax credit in conjunction with the introduction of the Geothermal Energy Incentive Program administered by the Department of Science, Technology, Energy and Mines. The tax credit will now be expanded to include solar thermal heating equipment. Purchasers who install specified solar heating equipment in Manitoba will qualify for a refundable 10% Green Energy Equipment Tax Credit on the eligible capital costs.

Capital costs include invoiced costs of the solar heating system, as well as taxes – Manitoba sales tax, federal Goods and Services Tax, excise and customs taxes – and other costs related to acquiring and making the system operational – such as insurance, freight, installation and design. The costs must be incurred and paid. Any other government assistance received for purchasing or installing the system will reduce the amount claimable under the tax credit. Borrowing costs are not eligible.

Specified equipment must be conventional active solar heating equipment that is or will be used primarily for the purpose of heating liquid or gas, including:

- solar collectors,
- solar energy conversion equipment,
- solar water heaters,
- energy storage equipment,
- control equipment, and
- equipment designed to interface solar heating equipment with other heating equipment,

but not including

- a building or part of a building (other than a solar collector that is not a window and that is integrated into a building),
- equipment used to heat water for use in a swimming pool, or
- equipment that distributes heated air or water in a building.

Specified equipment must be new. Reconditioned or remanufactured equipment is ineligible for the credit. It is not, however, necessary to install a complete heating system in order to qualify for the credit.

Acceptable solar collectors must meet CSA Standard F378-87 or equivalent in order to qualify for the credit.

Where the equipment is for non-residential purposes (including multiple unit dwellings), the system must have a signed commissioning report attested by a professional engineer. If the installation is for a residential hot water system, the contractor must have successfully completed Level 1 of the Installer Certification Program for Residential Systems offered by the Canadian Solar Industries Association or be a certified installer, as may be prescribed.

Regulations implementing the above changes will be enacted in 2009.

*For more information, contact Location B, page D12*

## **Riparian Tax Credit**

(2009/10 expenditure impact: \$0.04 million)

The basic credit is doubled and the application deadline extended for the intake group running from 2009 through 2013.

The Riparian Tax Credit provides incentives to agricultural operators to commit themselves for five-year benefit periods to specific riparian management practices on the banks of waterways and on the shores of lakes.

The basic credit for all categories of riparian land is approximately doubled, which automatically doubles participants' slope premium entitlements and increases the off-site watering component of the credit for some operators. In addition, the percentage premium for sloped riparian land is increased from 20% to 30% of the basic credit, and the off-site watering component of the credit will be made renewable for participants who complete one benefit period and sign up for the next available intake group.

The same enhancements will be made available to participants of previous intake groups whose benefit period is not yet expired.

*For more information, contact Location B, page D12*

## **Retail Sales Tax – Manure Slurry Tanks and Lagoon Liners**

(2009/10 revenue impact: \$-0.075 million)

The temporary sales tax exemption that was to expire June 30, 2009, is made permanent.

*For more information, contact Location C, page D12*

## **Odour Control Tax Credit**

(2009/10 revenue impact: \$-0.02 million)

The Odour Control Tax Credit (OCTC), which was scheduled to expire at the end of 2009, is extended to the end of 2011.

The OCTC was introduced in the 2004 Budget to encourage businesses to control nuisance odours that arise or may arise from the use or production of organic waste. Eligible expenditures include capital property acquired primarily for the purpose of preventing, reducing, or eliminating nuisance odours. Originally a 10% non-refundable corporate income tax credit, Budget 2006 expanded the credit by making it refundable to agricultural producers, including individual farmers. The maximum refundable credit is equal to the total of Manitoba income tax payable and the amount of property taxes paid on Manitoba farmland by the agricultural producer in the applicable year. Also in 2006, the credit was extended to include anaerobic digesters and it was made easier for eligible investments to qualify for the credit where odour control is a significant, but not necessarily the primary purpose, of a particular asset.

The extension through 2011 applies to both alternative ways of claiming the credit.

*For more information, contact Location A, page D12*

## ■ MEASURES FOR BUSINESSES

### Small Business Rate and Dividend Tax Credit

(2009/10 revenue impact: \$-0.3 million)

The small business income tax rate will be reduced to zero, effective December 1, 2010.

Accordingly, the Dividend Tax Credit on dividends other than eligible dividends will be adjusted to 1.75% starting with the 2011 taxation year. The Dividend Tax Credit rate is 2.5% for 2009 and 2010.

The full-year revenue impact of these changes is \$-9.5 million.

Some corporations benefiting from the 0% small business income tax rate may still pay Manitoba corporation income tax on a portion of their taxable income: for example, where taxable income exceeds the small business income limit of \$400,000, or where the corporation has income other than active business income (such as investment income). In these circumstances, Manitoba's non-refundable Corporation Income Tax credits will continue to be of value and may be claimed. Other corporations benefiting from the 0% Corporation Income Tax rate may no longer pay Manitoba corporation income tax and their non-refundable tax credits may go unused after 2010.

Under federal income tax rules, provincial tax credits received or receivable are treated as government assistance and, as such, they reduce the applicable business cost when the tax credits are earned, regardless of whether they are claimed. In these circumstances, corporations will experience higher taxable income for federal and provincial income tax purposes. The Province is interested in determining how best to ensure that corporations benefiting from the 0% tax rate are also not disadvantaged because of Manitoba tax credits earned prior to 2011 that may go unclaimed. Additionally, measures will be required where provincial tax credits are earned after 2010 but go unclaimed. One option to address the latter situation may be to allow a corporation to waive or renounce a credit, as is currently permitted under the Manitoba Research and Development (R&D) Tax Credit.

Once the 0% small business income tax rate is enacted into law, Manitoba Finance will post a discussion paper on its website (<http://www.gov.mb.ca/finance/index.html>). Affected companies, their representatives, and others who wish to provide input are invited to do so before the end of 2009.

*For additional information contact Location A, page D12*

### Community Enterprise Investment Tax Credit

(2009/10 revenue impact: -\$5.0 million)

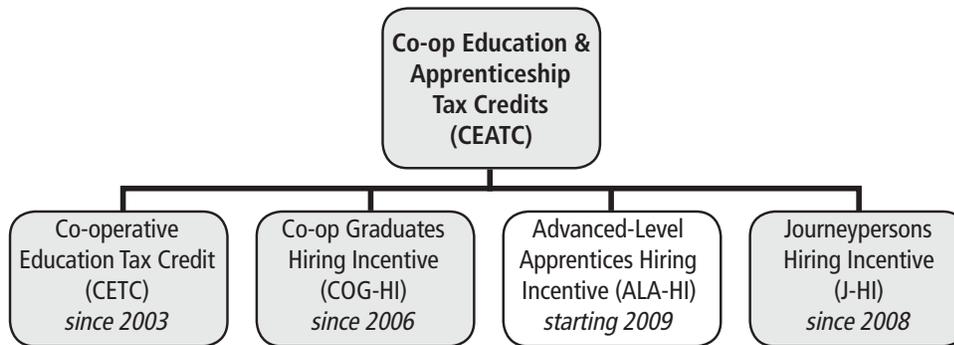
The maximum annual approval limit for this program is approximately doubled, from \$16,667,000 to \$33,000,000, commencing in 2009.

The credit is a non-refundable income tax credit equal to 30% on a maximum \$450,000 investment in equity capital. It is available to both individual and corporate investors who acquire equity capital in emerging enterprises that require larger amounts of capital than community ownership can provide. The credit is available on eligible securities acquired after 2007 and before 2011.

*For additional information contact Location F, page D12*

## Co-op Education and Apprenticeship Tax Credits

(2009/10 revenue impact: \$-0.6 million)



A new component is added to this family of programs to encourage the hiring of advanced-level apprentices in high-demand trades, and all components are extended to December 31, 2011.

The Co-op Education & Apprenticeship Tax Credits (CEATC) is a family of programs that provide incentives to employers who offer work experience to young Manitobans. The Co-operative Education Tax Credit (CETC) was introduced in the 2003 Manitoba Budget for placement of students in post-secondary co-operative education programs. In 2006, the Co-op Graduates Hiring Incentive (COG-HI) extended the credit to cover hiring recent graduates of such programs. In 2008, the Journeypersons Hiring Incentive (J-HI) was added to provide a comparable tax credit to employers for hiring recent graduates of apprenticeship programs. These latter two components provide a credit of 5% of wages, net of other government assistance received or receivable, paid to a qualified graduate or journeyperson by the employer during each of two years of continuous full-time employment in Manitoba.

In December 2008, the government announced a new component, the Advanced-Level Apprentices Hiring Incentive (ALA-HI). In conjunction with the existing J-HI, this new component is intended to ease bottlenecks in high-demand trades, facilitating the Manitoba apprenticeship program at all levels.

The value of the new credit to the employer equals 5% of wages paid to the advanced-level apprentice for work performed in Manitoba, net of other government assistance received or receivable by the employer. The maximum credit for one apprentice completing one level is \$2,500. There is no limit on the number of apprentices in respect of whom the employer can apply.

To become eligible, an employer hires an apprentice who is enrolling at an advanced level (Level 3, 4 or 5) in Manitoba on January 1, 2009 or later, and before the end of 2011. When the apprentice completes that level, the employer then earns an ALA-HI credit claimable in the company financial year in which it is earned.

Like all components of CEATC, the ALA-HI is fully refundable. Eligible employers include taxable corporations or exempt corporate entities (including not-for-profit agencies, Manitoba Crown entities, municipalities, universities, schools and hospitals). Unincorporated employers may claim the refundable credit on the individual income tax return.

The benefit of ALA-HI to employers on a full-year basis will be \$3.0 million.

***Example: ALA-HI and J-HI***

In a trade where five levels are required, an employer who hires a Red Seal apprentice through all five levels and retains her as a certified journey person for a further two years after certification can earn up to \$16,500 in federal and Manitoba tax credits: up to \$4,000 under the federal Apprenticeship Job Creation Tax Credit for Levels 1 and 2; up to \$7,500 in Manitoba ALA-HI tax credits for Levels 3 through 5; and up to \$5,000 in Manitoba J-HI credits.

***Example: CETC and COG-HI***

An employer who hires a student in a participating co-operative education program for the maximum of five work placements each of 10 weeks or more, and then shortly after graduation provides permanent employment for the student for at least two years, can receive up to \$10,000 in CETC and COG-HI benefits. There is no limit on the number of students for whom an employer can earn credits.

*For more information on ALA-HI, contact Location E, page D12*

*For more information on CEATC, contact Location B, page D12, or visit: <http://www.gov.mb.ca/business/cetc.html>*

**Mining Tax Rate**

(2009/10 revenue impact: \$-1.7 million)

To maintain the health of Manitoba's mining sector and to ensure that Manitoba's mining tax regime remains competitive, the mining tax rate will be reduced from 18% to 17% effective July 1, 2009. In addition, a 15% rate will apply when operator profits are between \$55 and \$100 million and a 10% rate will apply when operator profits are under \$50 million. Transitional tax rates will apply when operator profits are between \$50 and \$55 million or between \$100 and \$105 million.

The tax saving for mining companies as a result of this measure is expected to be about \$1.7 million in 2009/10. The full-year amount will increase in subsequent years if commodity prices improve.

*For additional information contact Location C, page D12*

**Research and Development Tax Credit**

(2009/10 revenue impact: \$-0.3 million)

To promote co-operation between corporations and research institutes, the 20% R&D Tax Credit will be made refundable for eligible expenditures incurred after 2009 by a corporation with a permanent establishment in Manitoba. Eligible scientific research and experimental development expenditures must be carried on in Manitoba under an eligible contract with a qualifying research institute, which will include post-secondary institutions and research institutes in Manitoba, as prescribed.

The refundable credit will benefit qualifying corporations that conduct R&D in priority areas involving biotechnologies and new technologies in such fields as medical science, the environment, agriculture, information, communications and computers, as prescribed.

The Department of Finance will work in 2009 with the Department of Science, Technology, Energy and Mines and with the Innovation Council to fully develop the refundable credit.

The full-year revenue impact of this measure is \$-1.0 million.

*For additional information contact Location A, page D12*

## ■ CHANGES PURSUANT TO THE TAX COLLECTION AGREEMENT

The following measures parallel income tax changes announced in the federal 2009 budget. The full-year revenue impact of these measures is expected to be \$-9.8 million.

### Personal Tax Measures

(2009/10 revenue impact: \$-0.06 million)

- The Home Buyers' Plan withdrawal limit (from Registered Retirement Savings Plans) is increased from \$20,000 to \$25,000.

*For more information, contact Location K, page D12*

### Business Tax Measures

(2009/10 revenue impact: \$-5.2 million)

- The 50% accelerated Capital Cost Allowance on manufacturing machinery and equipment is extended to property acquired in 2010 and 2011.
- Computer hardware and systems software acquired in 2009 and 2010 qualify for 100% capital cost allowance rate.
- The proposed nondeductibility of interest payments by Canadian companies respecting foreign affiliates is repealed.

*For more information, contact Location K, page D12*

## ■ OTHER CHANGES

### Retail Sales Tax – Educational Workbooks

(2009/10 revenue impact: \$-0.18 million)

The sales tax exemption for books is expanded to include educational workbooks, effective May 1, 2009.

The full-year tax saving for Manitobans is \$200,000.

*For more information, contact Location C, page D12*

### Gasoline & Motive Fuel Tax – Aviation Fuel

(2009/10 revenue impact: \$-0.5 million)

Effective July 1, 2009, the aviation fuel tax rate for domestic cargo flights is reduced from 3.2 cents to 1.5 cents per litre and the fuel tax exemption for international cargo flights is expanded, effective July 1, 2009, to include direct and indirect cargo flights to and from the United States. The exemption will be provided through a rebate program.

The full-year saving for airlines is \$0.7 million.

*For more information, contact Location C, page D12*

## Gasoline & Motive Fuel Tax – Forestry

(2009/10 revenue impact: \$-0.02 million)

The fuel tax exemption for forestry companies is expanded, effective May 1, 2009, to include fuel used for forest renewal.

The full-year saving for forestry companies is \$25,000.

*For more information, contact Location C, page D12*

## ■ TECHNICAL AND ADMINISTRATIVE MEASURES

- The Book Publishing Tax Credit will be amended by changing the provision that ties the credit to books *for which contracts were entered into* after April 9, 2008 and before 2012 – to books *published* between the same dates. Books will also be recognized when the authors are paid by fee rather than by royalty.

*For more information, contact Location I, page D12*

- The rules governing Class A shares for Manitoba registered labour-sponsored venture capital corporations will be changed to accommodate one or more series of Class A shares.

*For more information, contact Location A, page D12*

- Individuals who, through a Tax-Free Savings Account, acquire eligible shares issued by a Manitoba-registered labour-sponsored fund, or shares approved under the Community Enterprise Development Tax Credit will qualify for Manitoba tax credits.

*For more information, contact Location A, page D12*

- Legislation will be amended to allow Manitobans to designate, outside of a will, the beneficiaries of their Tax-Free Savings Accounts.

*For more information, contact Location A, page D12*

## CONTACTS FOR FURTHER INFORMATION

<b>A</b> <i>Taxation, Economic &amp; Intergovernmental Fiscal Research Division, Manitoba Finance (formerly Federal-Provincial Relations and Research Division)</i>	Telephone: 204-945-3757 Fax: 204-945-5051 e-mail: fedprov@gov.mb.ca
<b>B</b> <i>Manitoba Tax Assistance Office, Manitoba Finance</i>	Telephone: 204-948-2115 in Winnipeg Toll-free: 1-800-782-0771 Fax: 204-948-2263 e-mail: tao@gov.mb.ca
<b>C</b> <i>Taxation Division, Manitoba Finance</i>	Telephone: 204-945-5603 in Winnipeg Toll-free: 1-800-782-0318 Fax: 204-945-0896 e-mail: mbtax@gov.mb.ca
<b>D</b> <i>Minerals Policy and Business Development Unit, Manitoba Science, Technology, Energy &amp; Mines</i>	Telephone: 204-945-6566 Fax: 204-945-8427 e-mail: minesinfo@gov.mb.ca
<b>E</b> <i>Apprenticeship Branch, Manitoba Competitiveness, Training &amp; Trade</i>	Telephone: 204-945-3337 in Winnipeg Toll-free: 1-877-978-7233 Fax: 204-948-2346 e-mail: apprenticeship@gov.mb.ca Web: <a href="http://www.gov.mb.ca/tce/apprent/future/apprent_taxcredit.html">http://www.gov.mb.ca/tce/apprent/future/apprent_taxcredit.html</a>
<b>F</b> <i>Financial Services, Business Services Division, Manitoba Competitiveness, Training &amp; Trade</i>	Telephone: 204-945-7626 Fax: 204-945-1193 Web: <a href="http://www.gov.mb.ca/ctt/busdev/financial">www.gov.mb.ca/ctt/busdev/financial</a>
<b>G</b> <i>Economic Development Initiatives, Manitoba Agriculture, Food &amp; Rural Initiatives</i>	Toll-free: 1-800-567-7334 Web: <a href="http://www.gov.mb.ca/agriculture/ri">www.gov.mb.ca/agriculture/ri</a>
<b>H</b> <i>Family Services &amp; Housing</i>	Telephone: 204-945-5870 in Winnipeg Toll-free: 1-800-282-8069 Fax: 204-945-5668 e-mail: dpeia@gov.mb.ca
<b>I</b> <i>Arts Branch, Manitoba Culture, Heritage, Tourism &amp; Sport</i>	Telephone: 204-945-3847 Fax: 204-948-1684 e-mail: artsbranch@gov.mb.ca
<b>J</b> <i>Manitoba Science, Technology, Energy &amp; Mines</i>	Telephone: 204-945-3268 in Winnipeg Toll-free: 1-866-460-3118 Fax: 204-943-0031 Web: <a href="http://www.greenmanitoba.ca/cim">www.greenmanitoba.ca/cim</a>
<b>K</b> <i>Canada Revenue Agency</i>	Toll-free: 1-800-959-8281 for individuals 1-800-959-5525 for businesses

## ■ PERSONAL TAX SAVINGS SINCE 1999

Personal Income Taxes, Education Property Tax Credits, Residential Education Support Levy and Farmland School Tax Rebate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Cumulative Annual Totals
	(Millions of Dollars)											(Millions of Dollars)
<b>Income Tax Reductions</b>												
BUDGET												
2000	9	68	34									111
2001		29	7	18								54
2002			15									15
2003					39							39
2005							30					30
2006							8	34				42
2007								25	51	28	16	120
2008									1	30	14	45
SUBTOTAL	9	97	56	18	39	0	38	59	52	58	30	455
<b>Property Tax Reductions<sup>1</sup></b>												
BUDGET												
2000	26											26
2001		27										27
2002			10									10
2003				19								19
2004					23							23
2005						37						37
2006							39					39
2007								42	2	2	2	48
2008									25			25
2009										16		16
SUBTOTAL	26	27	10	19	23	37	39	42	27	18	2	271
Annual Totals	35	124	67	37	62	37	77	101	79	76	32	726
Cumulative Annual Totals	35	159	226	262	324	361	438	539	618	694	726	

Totals may not add due to rounding.

<sup>1</sup> Property tax reductions result from increases to the Education Property Tax Credit; implementation of, and subsequent increases in the Farmland School Tax Rebate; and reductions in the Residential Education Support Levy, which was phased out completely in 2006.

## ■ MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income	Tax payable		Annual Tax Savings in 2009 (Dollars)	2009 Savings over 1999 (Percentage)	Cumulative Savings over 10 Years (Dollars)
	1999	2009			
<b>SINGLE PERSON<sup>1</sup></b>					
10,000	88	-73*	161	182.3%	1,053
20,000	1,369	1,127	242	17.7%	1,778
40,000	4,012	3,347	665	16.6%	4,421
70,000	9,153	7,274	1,879	20.5%	11,551
100,000	14,572	12,494	2,079	14.3%	13,477
<b>FAMILY OF FOUR – ONE EARNER<sup>1</sup></b>					
25,000	411	-132*	543	132.2%	3,719
40,000	2,861	1,851	1,010	35.3%	6,741
60,000	6,625	4,599	2,026	30.6%	13,429
75,000	9,435	7,029	2,405	25.5%	15,546
100,000	13,951	11,622	2,329	16.7%	14,913
<b>FAMILY OF FOUR – TWO EARNERS<sup>1</sup></b>					
30,000	533	133	399	74.9%	3,064
40,000	1,360	904	457	33.6%	3,730
60,000	4,107	3,261	846	20.6%	6,585
80,000	7,169	5,691	1,478	20.6%	10,560
100,000	10,188	8,211	1,977	19.4%	13,371
<b>SENIOR COUPLE<sup>2</sup></b>					
30,000	39	-316*	355	910.4%	2,625
40,000	1,667	823	845	50.7%	4,681
60,000	5,635	3,450	2,185	38.8%	10,708
80,000	8,893	6,495	2,397	27.0%	13,088

Note: Some values may differ from previous years' tables due to changed assumptions regarding pension income splitting and the Personal Tax Credit.

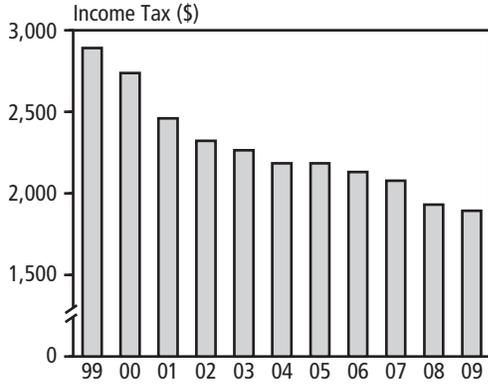
<sup>1</sup> It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income, and the other earns 40% and pays child-care fees. The Children's Fitness Tax Credit is also claimed for one child in both family examples. For families with children, income does not reflect Universal Child Care Benefit entitlements but entitlements have been included in tax calculations.

<sup>2</sup> For the senior couple example, it is assumed that both receive the Old Age Security Pension and only one spouse receives private pension income. The ability to split private pension income was offered beginning with 2007 therefore, for 2007 to 2009, it is assumed that private pension income is split 50/50.

\* A negative amount indicates an income tax rebate.

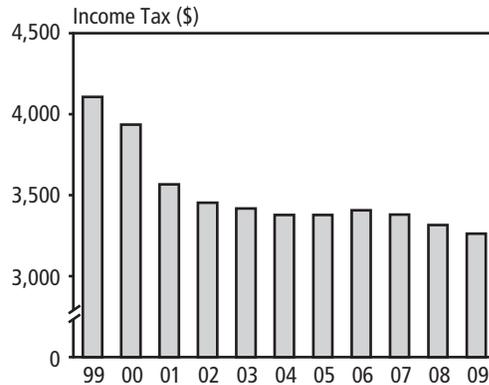
**MANITOBA INCOME TAX SINCE 1999**

**One-Earner Family of Four at \$40,000**



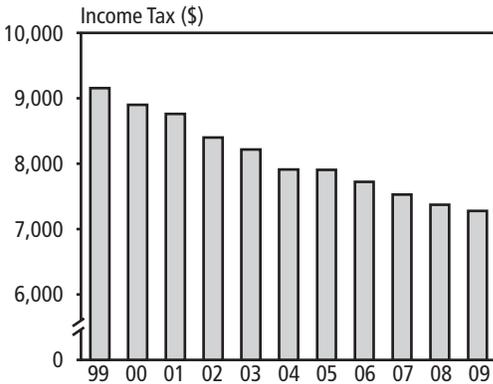
Source: Manitoba Finance

**Two-Earner Family of Four at \$60,000**



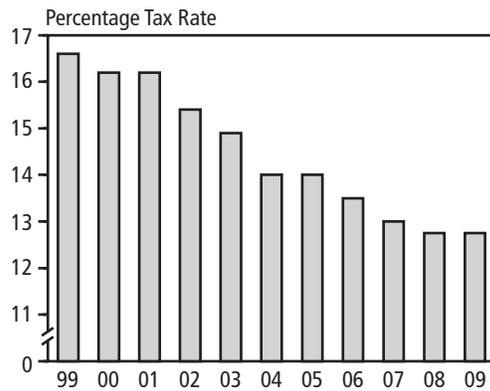
Source: Manitoba Finance

**Single Individual at \$70,000**



Source: Manitoba Finance

**History of Middle Bracket Rate Reductions**



## ■ 2009 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rate applicable on December 31, 2009. Data as of March 25, 2009

	BC	AB	SK	MB	ON
<b>Personal Income Tax</b>					
Top Marginal Rate (%) <sup>1</sup>	14.70	10.00	15.00	17.40	17.41
<b>Health Care Premiums (\$) <sup>2</sup></b>	1,296	----	----	----	0 to 900
<b>Employer Payroll Tax (%) <sup>3</sup></b>	----	----	----	2.15	1.95
<b>Corporation Income Tax (%)</b>					
Small	2.50	3.00	4.50	1.00	5.50
Large	11.00	10.00	12.00	12.00	14.00
Manufacturing	11.00	10.00	10.00	12.00	12.00
Small business threshold (\$000)	400	500	500	400	500
<b>Capital Tax (%) <sup>4</sup></b>	----	----	----	0.10	0.225
Manufacturers	----	----	----	----	----
Banks	1.00	----	3.25	3.00	0.675
<b>Sales Tax (%) <sup>5</sup></b>	7.00	----	5.00	7.00	8.00
<b>Diesel Fuel Tax (¢/l) <sup>6</sup></b>	15.00	9.00	15.00	11.50	14.30
<b>Gasoline Tax (¢/l) <sup>7</sup></b>	14.50	9.00	15.00	11.50	14.70
<b>Tobacco Tax (¢/cigarette) <sup>8</sup></b>	18.50	18.50	18.30	18.50	12.35
<b>Corporation Income Tax Credits</b>					
Manufacturing (%) <sup>9</sup>	----	----	5.00	10.00	----
Research & Development (%) <sup>10</sup>	10.00	10.00	15.00	20.00	10.00

<sup>1</sup> Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.

<sup>2</sup> The premium for BC is the family rate; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of \$20,000 or less the premium is zero and the maximum premium of \$900 is reached at an income of \$200,600. The premiums for the QC Prescription Drug Plan are based on income and are a maximum of \$570 for a single person and \$1,140 for a family.

<sup>3</sup> MB exempts firms with payrolls of less than \$1.25 million. ON exempts firms with payrolls of less than \$400,000. QC has graduated rates for firms with payrolls of under \$5 million. NL exempts firms with payrolls of less than \$1 million.

<sup>4</sup> MB has a \$10 million deduction and a 0.3% rate on taxable paid-up capital in excess of \$21 million. ON has a \$15.0 million deduction. QC has a \$1 million exemption and graduated rate reductions for the range between \$1 million and \$4 million. NS has a \$5 million exemption.

## ■ FEDERAL AND MANITOBA INCOME TAX RATES, 2009

### Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
15%	\$0 – \$40,726	10.8%	\$0 – \$31,000
22%	\$40,727 – \$81,452	12.75%	\$31,001 – \$67,000
26%	\$81,453 – \$126,264	17.4%	over \$67,000
29%	over \$126,264		

QC	NB	NS	PE	NL	
19.22	17.00	19.25	18.37	15.50	<b>Personal Income Tax</b>
0 to 1140	----	----	----	----	Top Marginal Rate (%) <sup>1</sup>
4.26	----	----	----	2.00	<b>Health Care Premiums (\$)²</b>
8.00	5.00	5.00	2.10	5.00	<b>Employer Payroll Tax (%)³</b>
11.90	12.00	16.00	16.00	14.00	<b>Corporation Income Tax (%)</b>
11.90	12.00	16.00	16.00	5.00	Small
500	500	400	400	400	Large
0.24	----	0.15	----	----	Manufacturing
----	----	0.15	----	----	Small business threshold (\$000)
0.48	3.00	4.00	5.00	4.00	<b>Capital Tax (%)⁴</b>
7.50	8.00	8.00	10.00	8.00	Manufacturers
16.20	16.90	15.40	11.50	16.50	Banks
15.20	10.70	15.50	7.10	16.50	<b>Sales Tax (%)⁵</b>
10.30	11.75	16.52	19.95	18.00	<b>Diesel Fuel Tax (¢/l)⁶</b>
5.00	----	----	10.00	----	<b>Gasoline Tax (¢/l)⁷</b>
----	15.00	15.00	----	15.00	<b>Tobacco Tax (¢/cigarette)⁸</b>
					<b>Corporation Income Tax Credits</b>
					Manufacturing (%)⁹
					Research & Development (%)¹⁰

<sup>5</sup> Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of QST- and GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

<sup>6</sup> Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre respectively. BC additionally imposes a carbon tax of 4.04 cents per litre of diesel fuel. QC applies QST; NB, NS and NL apply HST. PE's diesel fuel rate is set on a monthly basis, and has a flat and variable component, to a maximum of 20.2 cents per litre. The flat component is shown in the table.

<sup>7</sup> Vancouver, Victoria and Montréal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre respectively. BC additionally imposes a carbon tax of 3.51 cents per litre of gasoline. QC applies QST; NB, NS and NL apply HST. PE's gas tax rate is set on a monthly basis, and has a flat and variable component, to a maximum of 15.8 cents per litre. The flat component is shown in the table.

<sup>8</sup> SK, MB, NB, NS and NL apply sales tax to all tobacco products.

<sup>9</sup> SK's credit is fully refundable. 70% of MB's credit is refundable. QC's credit is fully refundable if under \$250 million of taxable capital. PE's credit is non-refundable.

<sup>10</sup> BC's is refundable for Canadian-controlled Private Corporations for expenditures up to \$2 million. AB's maximum credit is \$400,000. SK, AB, ON, NB, NS and NL's credits are refundable. MB's credit is refundable for expenditures on new technologies (starting 2010) but otherwise is non-refundable.

### Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate	19.0%	12.0%*
Small Business Rate	11.0%	1.0%
Small Business Threshold	\$500,000	\$400,000

\* Effective July 1, 2009

## ■ APPENDIX: MANITOBA TAX EXPENDITURES 2008/09

### Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results. A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions); or events (ex: involuntary dispositions).

### Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature, and are published annually in the public accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well. Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives.

## Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results. There are no formal accounting guidelines for tax expenditures. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures. For example, changing something that is a deduction from income, such as RRSP contributions, would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

## Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2008/09 fiscal year. They do not include measures announced in the 2009 Budget or measures announced in previous budgets for implementation after 2008/09. Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. Examples include the Education Property Tax Credit and the Personal Tax Credit. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

### CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS

	<u>2008/09</u>
	(millions of dollars)
Education Property Tax Credit (including the Advance)	251.0
Personal Tax Credit	43.0
Farmland School Tax Rebate	30.2
Community Enterprise Investment Tax Credit	6.3
School Tax Credit for Homeowners	2.0
Political Contribution Tax Credit (for individuals only)	1.1
Community Enterprise Development Tax Credit	0.2
Riparian Tax Credit	0.1
<b>TOTAL</b>	<b>333.9</b>

**MANITOBA TAX EXPENDITURES, 2008/09**

(Millions of Dollars)

**PERSONAL INCOME TAX****(a) Adjustments to Income** (in accordance with tax collection agreements)

Contributions to RRSPs	136.9
Capital gains inclusion rate	89.7
Contributions to RPPs	72.6
Lifetime capital gains exemption	25.9
Social assistance, WCB, and OAS/GIS (non-taxable income)	19.3
Union dues and professional fees	15.0
Child-care expenses	11.8
Pension income splitting	8.5
Northern Residents Deduction	5.8
Moving expenses	1.7
Scholarship and bursary income exemption	1.8
Tradespeople's tool expense	0.4
Tax-Free Savings Account	0.2

**(b) Non-refundable tax credits** (basic credits provided federally and by all provinces)

Basic personal	593.1
CPP/EI	103.4
Family Tax Benefit	67.0
Charitable donations	66.1
Age	31.6
Tuition fees and education amount (\$400/month)	26.0
Medical expenses	25.8
Spousal	21.5
Eligible dependant	15.9
Disability	12.8
Private pension	12.3
Caregiver	1.5
Student loan interest	1.0
Infirm dependants	0.1

**(c) Other Manitoba Tax Measures**

Tuition Fee Income Tax Rebate	9.7
Children's Fitness Tax Credit	3.0
Foreign Tax Credit	2.8
Mineral Exploration Tax Credit	1.3
Primary Caregiver Tax Credit	1.0
Overseas Employment Tax Credit	0.5
Labour-sponsored Venture Capital Corporations Tax Credit	0.4
Adoption Expenses Tax Credit	0.1

(Millions of Dollars)

**CORPORATION INCOME TAX**

Low rate for small business	139.1
Manufacturing Investment Tax Credit	27.0
Film and Video Production Tax Credit	16.0
Research and Development Tax Credit	12.0
Green Energy Equipment Tax Credit	0.7
Book Publishing Tax Credit	0.5
Co-op Education and Apprenticeship Tax Credits	0.2
Interactive Digital Media Tax Credit	0.1
Odour Control Tax Credit	0.1

**PAYROLL TAX**

\$1.25 million exemption	125.4
Exemption for interjurisdictional common carriers	12.6

**RETAIL SALES TAX****Exemptions and Refund Programs**

Groceries	191.3
Farm machinery and repairs	42.7
Farm and organic fertilizer	21.8
Prescription drugs and medicine	20.1
Books, free magazines and newspapers, and school yearbooks	17.3
Farm pesticides and herbicides	16.6
Medical supplies, appliances and equipment	13.2
Electricity used for manufacturing or mining	12.2
Natural gas for residential heating	11.6
Water supplied by a municipality	11.3
Children's clothing and footwear	10.4
Custom software and computer programming	6.8
Vehicle trade-ins	5.8
Toll-free calls	5.4
Electricity for residential heating	4.8
Vehicle private buy/sell refunds	3.2
Direct agents and qualifying items used in manufacturing a product for sale – including drill bits and explosives used in the mining industry	2.8
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use)	1.5
Qualifying geophysical survey and explorations equipment, drill rigs and well servicing equipment used in oil and gas exploration and development	1.4
Feminine hygiene products	1.1
Mobile, ready-to-move and modular homes (point of sale reduction)	0.8
Films for public broadcast	0.4

(Millions of Dollars)

**RETAIL SALES TAX (Continued)**

Non-prescription smoking cessation products	0.4
Farm manure slurry tanks and lagoon liners	0.1
Qualifying geophysical survey and exploration equipment, and prototype mining equipment	0.1

**FUEL TAX**

Marked gasoline and diesel	39.0
Ethanol grant	24.3
Biodiesel exemption	0.1

**CORPORATION CAPITAL TAX**

Capital deduction	29.0
Manufacturers exemption	18.7
Credit unions and caisse populaires exemption	15.1
Co-operatives exemption	0.7

All estimates are based on the most complete information available at the time of publication.

In some cases new information may significantly revise earlier estimates.

Source: Manitoba Finance Estimates, March 17, 2009