

TAXATION CHANGES – 2011 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Rosann Wowchuk in her Budget Address on April 12, 2011.

PERSONAL TAX MEASURES

Basic Personal, Spousal, and Eligible Dependent Amounts increased

The Basic Personal, Spousal and Eligible Dependant Amounts are each increasing by \$1,000 over four years, as follows:

- from \$8,134 to \$8,384 in 2011,
- from \$8,384 to \$8,634 in 2012,
- from \$8,634 to \$8,884 in 2013, and
- from \$8,884 to \$9,134 in 2014.

Children's Arts and Cultural Activity Tax Credit introduced

Starting in 2011, Manitoba will introduce a 10.8% non-refundable Children's Arts and Cultural Activity Tax Credit for the annual cost of eligible artistic, cultural, recreational, and development activities.

Eligible activity costs of up to \$500 can be claimed annually for each child under the age of 16, providing a family up to \$54 in income tax savings for each child. For a child with a disability under the age of 18 on whom at least \$100 is spent on eligible activities, the family qualifies for up to an additional \$54 in income tax savings.

Eligible activities must be organized and take place in Manitoba outside a school's regular program, including: supervised lessons in music; dramatic arts; dance and visual arts; language instruction; natural environment and wilderness activities; private tutoring in school subjects; and the development of interpersonal skills. Children's organizations such as Girl Guides, Scouts, Cadets and 4H will also qualify.

Primary Caregiver Tax Credit increased

Beginning in 2011 the maximum annual Primary Caregiver Tax Credit is increased by 25% from \$1,020 to \$1,275 per care recipient.

Introduced in 2009, the Primary Caregiver Tax Credit provides recognition and financial support to individuals who serve as voluntary primary caregivers for more than three continuous months to a care recipient assessed at Care Level 2, 3, or 4, up to a maximum of three clients at any one time. This is claimable on the caregiver's personal income tax return.

Manitoba Mineral Exploration Tax Credit extended

The 30% Manitoba Mineral Exploration Tax Credit is extended to flow-through share agreements entered into before April 1, 2015. The flow-through shares must be issued for mineral exploration in Manitoba.

Community Enterprise Development Tax Credit extended	<p>The Community Enterprise Development Tax Credit is extended to December 31, 2014.</p> <p>The tax credit is a non-refundable personal income tax credit that encourages Manitobans to invest in enterprises in their communities. Investors receive a 30% tax credit on a maximum annual investment of \$30,000 for a maximum credit of \$9,000. Shares acquired through an individual investor's registered retirement saving plan or tax-free savings account are also eligible for the tax credit. Eligible enterprises can apply to issue up to \$1 million in tax creditable shares to Manitoba investors</p>
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PROPERTY TAX MEASURES

Basic Education Property Tax Credit base amount increased	<p>The basic amount of the Education Property Tax Credit is increased from \$650 to \$700.</p> <p>Homeowners with sufficient property taxes will have this amount subtracted from their 2011 property tax bills, while renters with sufficient occupancy costs will receive the increased amount when they file their 2011 income tax return in the spring of 2012.</p>
Seniors' Education Property Tax Credit increased	<p>The maximum Education Property Tax Credit for seniors is increased by \$300 over three years, as follows:</p> <ul style="list-style-type: none">• from \$800 to \$950 in 2011,• from \$950 to \$1,025 in 2012, and• from \$1,025 to \$1,100 in 2013.
Farmland School Tax Rebate increased	<p>The Farmland School Tax Rebate is increased from 75% to 80% in 2011.</p> <p>The Rebate offsets school taxes paid on farmland. It was introduced in 2004 at 33% and has increased progressively.</p>

Further information on the basic personal, spousal, and eligible dependant amounts; primary caregiver tax credit; basic and seniors' education property tax credits may be obtained from Manitoba Finance –Tax Assistance Office:

Telephone: 204-948-2115 in Winnipeg
Toll-free: 1-800-782-0771
Fax: 204-948-2263
e-mail: tao@gov.mb.ca

Further information on the childrens' arts and cultural activity tax credit may be obtained from Manitoba Finance - Taxation, Economic and Intergovernmental Fiscal Research Division:

Telephone: 204-945-3757
Fax: 204-945-5051
e-mail: feedbackfin@gov.mb.ca

Further information on the mineral exploration tax credit may be obtained from Manitoba Innovation, Energy and Mines - Minerals Policy and Business Development Unit:

Telephone: 204-945-6566
Fax: 204-945-8427
e-mail: minesinfo@gov.mb.ca

Further information on the community enterprise development tax credit may be obtained from Manitoba Agriculture, Food and Rural Initiatives – Economic Development Initiatives Unit:

Toll-free: 1-800-567-7334

Web: www.gov.mb.ca/agriculture/ri

Further information on the farmland school tax rebate may be obtained from Manitoba Agricultural Services Corporation:

Telephone: 204-726-7068

Fax: 204-726-6849

e-mail: fstr@masc.mb.ca

GREEN MEASURES

Emissions Tax on Coal introduced Burning coal generates the highest level of greenhouse gas emissions compared to other fossil fuels. Commencing January 1, 2012, coal used in Manitoba will be subject to a new Emissions Tax equal to \$10 per tonne of carbon-dioxide-equivalent emissions.

Green Energy Equipment Tax Credit enhanced The total refundable Green Energy Equipment Tax Credit on geothermal heating systems is increased from 10% to 15%, effective on installations after April 12, 2011.

The tax credit for Manitoba manufacturers of qualifying geothermal heat pumps and the tax credit for purchasers of qualifying made-in-Manitoba geothermal heat pumps, installed in Manitoba, will increase from 5% to 7.5%. The tax credit applicable to other eligible installation costs for geothermal heating systems installed in Manitoba will increase from 10% to 15%.

Odour Control Tax Credit extended and enhanced The Odour Control Tax Credit is extended to the end of 2014.

An Income tax election allowing taxpayers to renounce, in whole or in part, the Odour Control Tax Credit is provided.

Sales tax exemption for biomass products expanded Effective May 1, 2011, the sales tax exemption for straw pellets used for heating or cooking has been expanded to include biomass products made 100% from wood, wheat, flax, oats, barley, sunflower, hemp or corn.

Please see *Information Notice – Biomass Materials* for further information.

BUSINESS TAX MEASURES

Manufacturing Investment Tax Credit extended and enhanced The Manufacturing Investment Tax Credit is extended to December 31, 2014.

The Manufacturing Investment Tax Credit provides Manitoba companies with a 10% corporate income tax credit based on the capital cost of new and used manufacturing buildings, machinery and equipment acquired for use in manufacturing or processing in Manitoba. The refundable portion of the Manufacturing Investment Tax Credit is 70%.

An income tax election allowing taxpayers to renounce, in whole or in part, the Manufacturing Investment Tax Credit is provided.

Cultural Industries Printing Tax Credit introduced	<p>Commencing April 13, 2011, Manitoba printers will be eligible for a 15% refundable Cultural Industries Printing tax credit on eligible printing costs incurred in the production of eligible books.</p> <p>Qualifying costs are amounts invoiced by the Manitoba printer to the publisher of a book for printing, assembly and binding services, performed in Manitoba on a hardcover or paperback Canadian-authored non-periodical publication categorized as fiction, non-fiction, poetry, drama, biography, or children's book.</p> <p>A qualifying publisher must not be related to the Manitoba printer and may be carrying on business anywhere in Canada.</p>
Book Publishing Tax Credit extended and enhanced	<p>The Book Publishing Tax Credit is extended to December 31, 2014.</p> <p>Starting April 13, 2011, the tax credit is expanded to include non-refundable monetary advances and labour costs related to publishing electronic or digital versions of eligible literary works.</p> <p>In addition, the bonus applied to Manitoba printing costs when an eligible book is printed on paper with a minimum of 30% recycled content is increased from 10% to 15%, for printing expenses incurred and paid by a publisher after April 12, 2011.</p> <p>The Book Publishing Tax Credit assists the development of the book publishing industry in Manitoba. The tax credit is equal to 40% of eligible Manitoba labour costs plus non-refundable author advances. The maximum tax credit claimable by a publisher is \$100,000 per year.</p>
Neighbourhoods Alive! Tax Credit introduced	<p>Commencing April 13, 2011, corporations who partner with charitable organizations to establish new social enterprises in Manitoba will be eligible for a non-refundable 30% corporation income tax credit, in addition to their corporate donation deduction.</p> <p>The maximum Neighbourhoods Alive! Tax Credit a corporation can earn in a given year is \$15,000, based on a minimum \$50,000 donation made to a qualifying registered charity in the previous year and the provision of in-kind support during the year to develop, manage and operate the new social enterprise.</p> <p>The newly created social enterprise must be fully owned and controlled by a charitable organization in Manitoba with a charitable purpose that matches that of the charity and a mandate that includes hiring hard-to-employ Manitobans facing multiple barriers to employment.</p> <p>Tax credits earned but unused by a corporation in a given year can be carried back up to three years, but no earlier than a tax year ending after April 12, 2011, and any remaining credits can be carried forward up to ten years.</p>
Co-op Education and Apprenticeship Tax Credit extended	<p>Components of the credit that were scheduled to expire are extended to December 31, 2014.</p> <p>The Co-op Education and Apprenticeship Tax Credit is a family of income tax credit programs that provides incentives to employers who offer work experience to young Manitobans. Introduced in 2003 for the placement of post-secondary</p>

co-operative students, the credit was expanded:

- in 2006 to include hiring graduates of co-op programs,
- in 2008 to include hiring recent graduates of apprenticeship programs,
- in 2009 to include hiring advanced-level apprentices, and
- in 2010 to include hiring early-level apprentices.

All components of the tax credit are refundable. Eligible employers include taxable corporations, not-for-profit agencies, Manitoba Crown entities, municipalities, universities, schools, hospitals, and unincorporated employers.

Further information on the emission tax on coal; green energy equipment tax credit; odour control tax credit; manufacturing investment tax credit; cultural industries printing tax credit; and Neighbourhoods Alive! tax credit may be obtained from Manitoba Finance - Taxation, Economic and Intergovernmental Fiscal Research Division:

Telephone: 204-945-3757

Fax: 204-945-5051

e-mail: feedbackfin@gov.mb.ca

Further information on the book publishing tax credit may be obtained from Manitoba Culture, Heritage, Tourism and Sport – Arts Branch, Culture, Heritage and Recreation Programs:

Telephone: 204-945-7581

Fax: 204-948-1684

e-mail: artsbranch@gov.mb.ca

Further information on the co-op education and apprenticeship tax credits may be obtained from Manitoba Finance –Tax Assistance Office:

Telephone: 204-948-2115 in Winnipeg

Toll-free: 1-800-782-0771

Fax: 204-948-2263

e-mail: tao@gov.mb.ca

OTHER TAX MEASURES

Land Transfer Tax exemption

The Land Transfer Tax exemption on transfers of title between common law partners is amended to include partners registered under *The Vital Statistics Act*, retroactive to 2004. Eligible transferees who paid tax on a transfer registered since 2004 can apply for a refund of tax paid.

Fertility Tax Credit

As announced last year, the refundable Fertility Treatment Tax Credit will be amended, retroactive to October 1, 2010 when the credit began, as follows:

- allowing the tax credit to be claimed by either spouse or partner, but not split between spouses or partners
- recognizing fertility treatments provided by Manitoba physicians and clinics
- covering medications prescribed by a licensed physician in Manitoba for fertility treatments even if the medications are tied to fertility treatments received outside of Manitoba, and
- clarifying that fertility treatments to reverse elective sterilization procedures such as vasectomies or tubal ligations do not qualify for the tax credit.

Further information on land transfer tax and the fertility tax credit may be obtained from Manitoba Finance - Taxation, Economic and Intergovernmental Fiscal Research Division:

Telephone: 204-945-3757

Fax: 204-945-5051

e-mail: feedbackfin@gov.mb.ca

RETAIL SALES TAX**Exemption for municipal flood relief expanded**

Effective March 1, 2011, the sales tax exemption for municipalities is expanded to include sandbags, sandbag ties, flood tubes, cage flood barriers, sandbag filling services and sand/salt mixtures containing at least 80% sand when used for filling sandbags.

Municipalities that have paid sales tax on these items on or after March 1, 2011 are eligible for a refund upon application to The Taxation Division.

Exemption for water softener salts introduced

Effective May 1, 2011, water softener salts used by municipalities to treat water for sale to ratepayers will be exempt from sales tax.

Exemption for kiln strips introduced

Effective May 1, 2011, kiln strips used for curing wood products being manufactured for sale will be exempt from sales tax.

Temporary use formula for goods brought into Manitoba amended

Effective May 1, 2011, the formula for calculating sales tax payable on business assets brought into Manitoba on a temporary basis will be amended to prorate the tax payable on assets in the province for 15 days or less in a month. The calculation of sales tax payable will be prorated based on the following formula:

$$\text{Tax} = 7\% \times A \times B/30$$

A = Monthly lease payment or 1/36 of fair value of owned assets

B = Number of days in the province in the month

This amendment reduces the sales tax payable for businesses bringing assets into the province for 15 days or less. Sales tax will continue to apply on the full fair value for the month for assets temporarily in the province for more than 15 days in a month.

CORPORATION CAPITAL TAX**Exemption for small banks and trust and loan corporations**

Effective for fiscal years ending after April 12, 2011, banks and trust and loan corporations with taxable paid up capital under \$4 billion are exempt from corporation capital tax.

Banks and trust and loan corporations qualifying for this exemption should cease making instalments, but are required to file a final tax return for the fiscal year that includes April 12, 2011.

TOBACCO TAX**Rate increased**

Effective midnight April 12, 2011, the tax rates on tobacco products increase as follows:

	New Tax Rate	Previous Tax Rate
Cigarettes (each)	22.5¢	20.5¢
Fine Cut (per gram)	21.5¢	19.5¢
Raw Leaf (per gram)	20.0¢	18.0¢

The tax rate per cigar remains 75% of its price at retail to a maximum of \$5.00 per cigar.

TAX ADMINISTRATION**Online tax payment options expanded**

In September 2007 Manitoba introduced TAXcess, an online service enabling businesses to file and pay their Manitoba tax accounts online, using electronic pre-authorized payments. Effective May 1, 2011, Manitoba's online service will be expanded. In addition to pre-authorized payments, businesses will also be able to make payments through their own financial institution's online bill payment system.

Visit manitoba.ca/TAXcess for further information.

Further information on retail sales tax, corporation capital tax and tobacco tax can be obtained from Manitoba Finance – Taxation Division:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll Free 1-800-782-0318
Fax (204) 948-2087

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763

E-mail: MBTax@gov.mb.ca

ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.