Budget Paper C

TAXATION ADJUSTMENTS

Manitoba

TAXATION ADJUSTMENTS

Contents

SUMMARY OF 2007 TAX MEASURES

All amounts are revenue reductions or expenditure increases

	2007/08	Full Year[1]
	(Millions of Dollars)	
Ongoing Tax Reductions[2]		
Personal Tax Reductions	35.3	35.3
Business Tax Reductions	24.9	24.9
	60.2	**60.2**
Personal Tax Measures		
Manitoba Tuition Fee Income Tax Rebate introduced	11.5	94.0
Education Property Tax Credit Base Amount increased[3]	40.0	40.0
Middle Rate decreased, Threshold moved upward	4.5	17.9
Basic Personal Amount increased	3.1	12.5
Pension Income Splitting introduced[4]	11.0	11.0
Spousal and Eligible Dependent Amounts increased	1.9	7.7
Family Tax Benefit replaces Family Tax Reduction	0.4	1.5
Lifetime Capital Gains Exemption increased[4]	0.9	1.2
Manitoba Mineral Exploration Tax Credit	0.2	0.6
	73.5	**186.4**
Farm and Green Measures		
Farmland School Tax Rebate increased[3]	2.2	8.9
Green Energy Manufacturing Tax Credit introduced	0.0	5.0
RST Exemption for Slurry Tanks and Lagoon Liners extended	0.2	0.3
	2.4	**14.2**
Business Tax Measures		
General Corporation Income Tax Rate reduced	0.0	27.4
Film and Video Production Tax Credit extended	0.0	17.6
Corporation Capital Tax Rates reduced	0.0	16.0
Small Business Rate reduced	2.6	10.5
Capital Cost Allowance Rates for Manufacturers increased[4]	3.8	7.5
Health and Post-Secondary Education Tax Levy exemption increased	1.8	7.0
Community Enterprise Development Tax Credit expanded	0.5	5.0
Manufacturing Investment Tax Credit refundability enhanced	0.5	2.1
	9.2	**93.1**
Other Changes[4]	**2.4**	**3.3**
Change, 2007 Budget	**87.5**	**297.0**
Change, 2007/08 and Subsequent Years	**147.7**	**357.2**

[1] Does not include changes that are announced subject to budget balancing requirements.

[2] Ongoing tax reductions are those that were announced in previous budgets to take effect in 2007. These are: (a) the decrease in the middle-bracket PIT rate from 13.5% to 13.0% and the increase in the Basic Personal Amount by $100; (b) the decrease in the general CIT rate from 14.5% to 14.0%; (c) the decrease in the small business CIT rate from 4.5% to 3.0%; and (d) the MB Children's Fitness Tax Credit.

[3] Expenditure increase

[4] Parallels federal budget changes, pursuant to the Tax Collection Agreement

ONGOING TAX REDUCTIONS

Manitoba Children's Fitness Tax Credit

(2007/08 revenue impact: $-3.0 million)

Effective January 1, 2007, the Manitoba Children's Fitness Tax Credit parallels the new federal Children's Fitness Tax Credit. Parents may claim payments totalling up to $500 made to register a child under the age of 16 in a program of physical activity. The claimable amount increases to $1,000 for children under age 18 with disabilities. The maximum combined federal and Manitoba credit is $132 per eligible child ($264 for a child with a disability). The rules for the federal tax credit will determine which fitness programs are eligible for the Manitoba tax credit. Manitoba's intention to parallel the federal program was announced in Budget 2006, before details of the federal program were known.

For more information, contact Location B, page C10.

EDUCATION PROPERTY TAX CREDIT BASE AMOUNT

(2007/08 expenditure impact: $40 million)

The base amount of this credit is increased from $400 to $525. The majority of homeowners will have this amount subtracted from their 2007 property tax bills, with the Province reimbursing school divisions and municipalities accordingly. Renters will receive the increased amount when they file their 2007 income taxes.

For more information, contact Location B, page C10.

PERSONAL INCOME TAX

Manitoba Tuition Fee Income Tax Rebate

(2007/08 revenue impact: $-11.5 million)

If you graduate on or after January 1, 2007 from a post-secondary institution recognized by the Canada Revenue Agency, and you now work and pay income tax in Manitoba, you can claim 60% of eligible tuition fees paid on or after January 1, 2004. The maximum lifetime rebate is $25,000 (equivalent to a 60% rebate on tuition fees of $41,667). The rebate does not affect bursaries and scholarships or existing tax credits for education and tuition fees. Recognized institutions may be located anywhere in the world, and include private colleges.

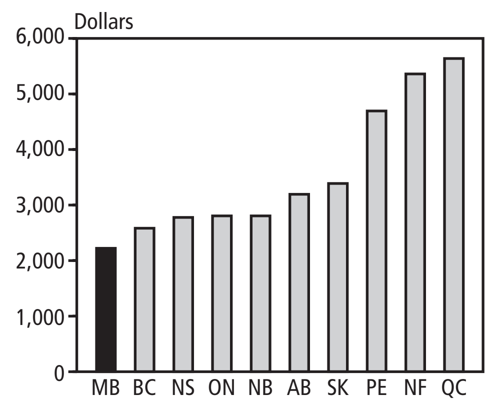
The maximum claim *per year* is the least of all of the following:

- Manitoba income tax payable in the tax year;
- 10% of eligible tuition fees (10% of eligible tuition fees per year for six years totals 60% of fees);
- $2,500.

Unused claims can be carried forward for up to 20 years.

For more information, contact Location B, page C10.

Provincial Income Tax after Graduate Credits and Tuition Rebates Single person at $50,000[1]



Income tax includes the Saskatchewan Post-Secondary Graduate Tax Credit ($1,100), the New Brunswick Tuition Tax Cash Back ($2,000), the Nova Scotia Post-Secondary Graduate Tax Credit ($2,000) and the Manitoba Tuition Fee Income Tax Rebate ($2,500).

[1]Includes credits for CPP, EI and the basic personal amount.

Source: Manitoba Finance

Basic Personal Amount

(2007/08 revenue impact: $-3.1 million)

The Basic Personal Amount (BPA) is increased by $200 to $8,034, effective January 1, 2008. This change saves taxpayers $12.5 million annually and eliminates provincial income tax for about 4,000 taxfilers.

The BPA was increased in 2000, 2001, 2002, 2006 and 2007. The credit rate applied to the BPA, to determine the actual credit, was increased in 2001.

	Basic Personal Amount	Credit Rate	Value of Basic Personal Tax Credit
1999	$6,794	8.25%	$560.51
2008	$8,034	10.90%	$875.71
Increase			$315.20, or 56.2%

This table shows that when the increases in both the BPA and the credit rate are taken into account, the actual credit Manitobans receive has risen 56%, well in excess of the 20% inflation over the period.

For more information, contact Location B, page C10.

Pension Income Splitting

(2007/08 revenue impact: $-11.0 million)

The Province will parallel the new federal pension income-splitting measure effective January 1, 2007. This means the higher-income spouse can transfer to the lower-income spouse up to 50% of eligible pension income by joint election. For those under 65, eligible pension income includes lifetime annuity payments under a Registered Pension Plan (RPP) and certain other payments received as a result of the death of the spouse. For those 65 and over, eligible pension income includes lifetime annuity payments under a RPP, Registered Retirement Savings Plan (RRSP) or a deferred profit-sharing plan, and payments received from a registered retirement income fund (RRIF). A senior couple with income of $60,000 received mostly by one spouse could typically save about $811 or 18% of their current Manitoba tax liability, from the income-splitting change alone.

For more information, contact Location B, page C10.

Spousal Amount and Eligible Dependent Amount

(2007/08 revenue impact: $-1.9 million)

A taxpayer can claim a non-refundable tax credit for a dependent spouse (the spouse or common-law partner amount) or, if the taxpayer is a single parent, for one dependent child under 18 (the amount for an eligible dependent). The maximum value of these amounts, $6,482, is reduced by any income earned by the dependent. Effective January 1, 2008, the maximum spouse or common-law partner amount is raised from $6,482 to $8,034, to equal the Basic Personal Amount. This 24% increase will better recognize the situation of households where two or more people rely on a single income. It will remove 2,000 Manitobans from the tax rolls and will reduce taxes by $7.7 million annually.

For more information, contact Location B, page C10.

Bracket and Rate Changes

(2007/08 revenue impact: $-4.5 million)

Effective January 1, 2008, the middle bracket tax rate falls from 13.0% to 12.75% and the threshold between the middle and top brackets rises from $65,000 to $66,000. As a result, taxable income between $30,544 and $66,000 is taxed at 12.75%, down from 13.0% for income up to $65,000, and down from 17.4% for income between $65,000 and $66,000. This change benefits all taxpayers with taxable income in excess of $30,544; in total they save $17.9 million on a full-year basis.

This is the beginning of a plan, subject to budget balancing requirements, to reduce the first bracket rate to 10.5% and the middle bracket rate to 12.75% by 2011. At the same time, the entire middle tax bracket will be moved upwards to the range between $35,000 and $70,000. These further changes, when complete, are projected to save Manitoba income tax payers an additional $77 million annually; all taxpayers will benefit. As budgetary circumstances permit, additional rate and threshold changes will be introduced to give middle-income earners an over-all saving of 10% compared to 2007.

Tax Year	First Bracket Rate	Middle Bracket Threshold	Middle Bracket Rate	Top Bracket Threshold
2007	10.90%	$30,544	13.00%	$65,000
2008	10.90%	$30,544	12.75%	$66,000
2009	10.80%	$31,000	12.75%	$67,000
2010	10.70%	$32,000	12.75%	$68,000
2011	10.50%	$35,000	12.75%	$70,000

Note: all changes planned after 2008 are subject to balanced budget requirements.

For more information, contact Location B, page C10.

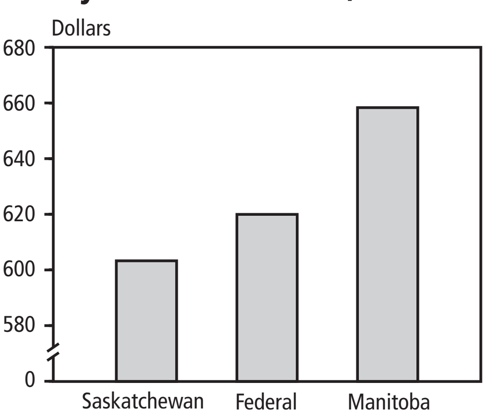
Manitoba Family Tax Benefit

(2007/08 revenue impact: $ -0.4 million)

The calculation of Manitoba tax currently involves four steps once taxable income has been determined: a) Manitoba tax on taxable income is calculated; from which b) non-refundable tax credits are subtracted; c) the Family Tax Reduction (FTR) is subtracted; and d) other credits are subtracted. Effective January 1, 2008, the FTR is folded into a renamed Manitoba Family Tax Benefit under the non-refundable tax credit block. One calculation step is removed, and the process is streamlined. This change does not affect eligibility, or reduce benefits for any taxpayers. The measure saves taxpayers $1.5 million annually on a full-year basis. Benefits are available for the taxpayer, and for an inclusive list of dependants including: a spouse or equivalent; children under 18; and other disabled relatives over 18 who are dependant upon the taxpayer. There is an additional amount for any of the above who are disabled or 65 and over.

For more information, contact Location B, page C10.

Tax Savings due to Non-Refundable Family and Child Credits, 2008



Note - One-earner family of four earning $40,000.
Comparison of tax savings:
- Saskatchewan amount for dependent children
- federal Child Tax Benefit
- Manitoba Family Tax Benefit

Source: Manitoba Finance

Lifetime Capital Gains Exemption

(2007/08 revenue impact: $-0.9 million)

In parallel with federal changes already announced, the lifetime capital gains exemption limit on the disposition of qualified farm and fishing property or qualified small business corporations shares is increased from $500,000 to $750,000, on dispositions after March 18, 2007. The full-year revenue impact of this measure is $-1.2 million.

For more information, contact Location B, page C10.

Manitoba Mineral Exploration Tax Credit

(2007/08 revenue impact: $-0.2 million)

Originally introduced in Budget 2002, the Manitoba Mineral Exploration Tax Credit is a 10 per cent non-refundable personal income tax credit. The credit is earned when Manitobans purchase flow-through shares in exploration companies to finance Manitoba exploration projects. Combined with the renewed 15 per cent federal exploration tax credit announced recently, this gives an additional incentive to invest in the province's mineral exploration. This credit is extended for one year, to March 31, 2008. Funds raised can be spent on eligible exploration up to the end of 2009. This change will save taxpayers about $0.6 million on a full-year basis.

For more information, contact Location H, page C10.

■ FARM AND GREEN MEASURES

Farmland School Tax Rebate

(2007/08 expenditure impact: $2.2 million)

In 2004, the Farmland School Tax Rebate was introduced as a 33% Provincial rebate of school division taxes on farmland. In 2005, the rate was increased to 50%, and in 2006 to 60%. This year, the rate is increased to 65%, bringing tax savings for Manitoba's farm community to $28.8 million annually. Further, the rebate rates for 2008, 2009, and 2010 are increased to 70%, 75%, and 80%, respectively. At 80%, the rebate will provide annual tax savings of $35.2 million. The rebate does not reduce the amount of revenue collected by school divisions.

For more information, contact Location E, page C10.

Green Energy Manufacturing Tax Credit

(2007/08 revenue impact: $0)

In order to promote the production and purchase for use in Manitoba of new machinery and equipment used to generate renewable energy, the Green Energy Manufacturing Tax Credit is introduced. The refundable income tax credit will be equal to 10% of the value of qualifying property produced in Manitoba and sold for residential or commercial use in Manitoba before 2019. Qualifying property will initially include equipment for wind power, solar energy, geothermal energy, and hydrogen fuel cells. Transmission and distribution systems and storage equipment will not qualify for the credit. The 2007/08 revenue impact is expected to be negligible. The anticipated full-year revenue impact of the tax credit is $-5.0 million.

For more information, contact Location A, page C10.

Retail Sales Tax Exemption for Slurry Tanks and Lagoon Liners

(2007/08 revenue impact: $-0.2 million)

To promote environmentally safe handling of animal waste on farms, the Retail Sales Tax exemption on manure slurry tanks and lagoon liners for use in farm livestock operations is extended for a further two years, to June 30, 2009. The full-year revenue impact is $-0.3 million. This measure builds on existing sales tax exemptions for manure treatment – biodigesters, composters, and separation systems – and manure and fertilizer application equipment, including specialized equipment for precision or variable-rate application.

For more information, contact Location C, page C10.

■ CORPORATION INCOME TAX

General Rate

(no revenue impact until 2008/09)

The general corporation income tax rate is reduced from 14.0% to 13.0% effective July 1, 2008, reducing taxes by $27.4 million on a full-year basis. This reduction was announced in Budget 2006 subject to budget balancing requirements, and is now confirmed. The rate will be further reduced to 12.0%, subject to budget balancing requirements, effective July 1, 2009.

For more information, contact Location A, page C10.

Small Business Rate

(2007/08 revenue impact: $-2.6 million)

The rate is reduced from 3% to 2% effective January 1, 2008, reducing taxes by $10.5 million on a full-year basis. It will be further reduced to 1% effective January 1, 2009, subject to budget balancing requirements. The rate was reduced from 4.5% to 3.0% for 2007. The small business dividend tax credit rate will be reduced correspondingly to maintain integration of personal and corporation income tax.

For more information, contact Location A, page C10.

Reduction of Corporation Income Tax Rates since 1999

Taxable Income	1999	2007	2008	2009
Up to $200,000	8.0%[1]	3.0%	2.0%	1.0%[2]
$200,000 to $400,000	17.0%	3.0%	2.0%	1.0%[2]
Over $400,000	17.0%	14.0%	13.0%[3]	12.0%[2,3]

[1] Rate reduced from 9.0% July 1, 1999

[2] Subject to budget balancing requirements

[3] Effective July 1

Film and Video Production Tax Credit

(no additional revenue impact until 2008/09)

This credit, which is scheduled to expire in March 2008, is extended for a further three years, to March 1, 2011. The full-year impact on revenue is projected to be $-17.6 million.

For more information, contact Location F, page C10.

Capital Cost Allowance Rates for Manufacturers

(2007/08 revenue impact: $-3.8 million)

In parallel with federal changes already announced, the capital cost allowance rate for manufacturing or processing machinery and equipment is improved from a 30% declining-balance write-off to a 50% straight-line write-off, on acquisitions after March 18, 2007 and before 2009.

Additionally, the capital cost allowance rate on buildings used in manufacturing or processing is increased from 4% to 10%, on acquisitions after March 18, 2007.

The full-year revenue impact of these measures is $-7.5 million.

For more information, contact Location A, page C10.

Community Enterprise Development Tax Credit

(2007/08 revenue impact: $-0.5 million)

Budget 2003 introduced the 30% Community Enterprise Development Tax Credit to encourage Manitobans to invest in their communities and provide community-based enterprise development projects with the means to raise necessary equity capital. The credit is a non-refundable personal income tax credit for resident investors who acquire qualifying securities in eligible community enterprise development projects.

The program is broadened to include a new 30% provincial non-refundable income tax credit for individuals and corporations in Manitoba who invest directly in emerging enterprises that require larger amounts of investment capital than community ownership could provide. The credit will apply to eligible securities acquired on or after January 1, 2008. The minimum investment amount by an investor will be $20,000, and the maximum annual tax credit claimable by an investor will be $45,000. The lifetime limit on the amount that an investor can contribute to a qualifying investee corporation will be $450,000. Securities will not qualify as registered savings plan investments. The full-year revenue impact is projected to be $-5.0 million.

For more information, contact Location G, page C10.

Manufacturing Investment Tax Credit

(2007/08 revenue impact: $ -0.5 million)

The refundable portion of this credit is raised from 35% to 50% for qualified property acquired on or after January 1, 2008. This allows firms without taxable income to take immediate advantage of the MITC. This change will have a revenue impact of $-2.1 million on a full-year basis. This credit was made refundable at the 20% level by the 2005 Budget, and at the 35% level by the 2006 Budget.

For more information, contact Location A, page C10.

■ CORPORATION CAPITAL TAX

(no revenue impact until 2008/09)

The first stage of the announced phaseout of the general Corporation Capital Tax (CCT) was scheduled to take effect for corporations with fiscal years commencing after July 1, 2008, subject to budget balancing requirements. The reduction is now confirmed and is moved forward to apply to corporations with fiscal years commencing after January 1, 2008. The general CCT rate for corporations with total paid-up capital over $21 million will be reduced from 0.5% to 0.4% and the rate for corporations with total paid-up capital between $10 million and $20 million will be reduced from 0.3% to 0.2%. (There is a notch provision for total paid-up capital between $20 million and $21 million.) The full-year revenue impact of these changes is $-16.0 million.

This Budget commits Manitoba to eliminate the general CCT, except for Crown corporations, as of December 31, 2010, subject to budget balancing requirements.

For more information, contact Location C, page C10.

■ HEALTH & POST-SECONDARY EDUCATION TAX LEVY

(2007/08 revenue impact: $-1.8 million)

Effective January 1, 2008, the payroll exemption under this levy is raised from $1.0 million to $1.25 million of annual payroll. In addition, the threshold below which employers pay a reduced rate is raised from $2.0 million to $2.5 million. The full-year revenue impact of this measure is $-7.0 million. Less than 5% of all Manitoba employers currently pay this tax. The new higher threshold benefits one-third of those paying: 200 employers will be fully exempted and an additional 600 will pay less tax.

For more information, contact Location C, page C10.

OTHER CHANGES PURSUANT TO THE TAX COLLECTION AGREEMENT

These measures parallel federal income tax changes announced in the 2007 federal budget. The full-year revenue impact of these measures is expected to be $-3.3 million.

Personal Tax Measures

(2007/08 revenue impact: $-1.2 million)

- The tax benefit of donating securities to public charities is now extended to gifts to private foundations. (See page C21 for an example.)
- The meal expense deduction for long-haul truckers is increased from 50% to 80% over the next five years.
- The age limit for maturing Registered Pension Plans and Registered Retirement Savings Plans is increased from 69 to 71.

Business Tax Measures

(2007/08 revenue impact: $-1.2 million)

- The Capital Cost Allowance rates for non-residential buildings, computer equipment and certain assets related to the natural gas industry are increased to more accurately reflect their useful lives.
- Class 43.2 energy conservation and energy efficient property is broadened to include a wider range of applications and is extended to expire in 2020 instead of 2012.
- An increased tax deduction for donations by corporations of inventoried medicines destined for developing countries is introduced.
- Several measures regarding international taxation are introduced.

TECHNICAL AND ADMINISTRATIVE MEASURES

(no revenue impact in 2007/08)

- *The Insurance Corporations Tax Act* will be amended to allow for the discretionary waiver of interest and penalties. *For more information, contact Location D, page C10.*
- A regulation will be introduced allowing a new intake of applications for the Riparian Tax Credit.
  For more information, contact Location B, page C10.
- To reduce paperwork and tax administration costs for businesses, the following measures will be implemented:
  - Elimination of the requirement for crafters, hobbyists and other small home-based businesses to register and collect Retail Sales Tax.
  - Elimination of the quarterly installment requirement for corporations that remit Corporation Capital Tax of $5,000 or less per year.
  - Amalgamation of the application of sales tax on electricity and natural gas under *The Retail Sales Tax Act.*

  For more information, contact Location D, page C10.

■ CONTACTS FOR FURTHER INFORMATION

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

C: ***Taxation Division***
Manitoba Finance
Telephone in Winnipeg: 204-945-5603
in Brandon: 204-726-6153
Toll-free: 1-800-782-0318 (to Winnipeg office)
Fax: 204-945-0896
e-mail: mbtax@gov.mb.ca

D: ***Financial Institutions Regulation Branch***
Consumer and Corporate Affairs Division
Manitoba Finance
Telephone 204-945-2542
Fax: 204-948-2268
e-mail: insurance@gov.mb.ca

E: ***Manitoba Agricultural Services Corporation (MASC)***
Telephone 204-726-7068
Fax: 204-726-6849
e-mail: fstr@masc.mb.ca

F: ***Manitoba Film & Sound***
Recording Development Corporation
Telephone 204-947-2040
Fax: 204-956-5261
e-mail: explore@mbfilmsound.mb.ca

G: ***Financial Services, Business Services Division***
Manitoba Competitiveness, Training and Trade
Telephone 204-945-0141
Fax: 204-945-1193

H: ***Minerals Policy and Business Development Unit***
Mineral Resources Division
Manitoba Science, Technology, Energy and Mines
Telephone 204-945-6564
Fax: 204-945-8427
e-mail: minesinfo@gov.mb.ca

PERSONAL TAX SAVINGS SINCE 1999

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

	Implemented in Tax Year:											Cumulative Annual Totals
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
	(Millions of Dollars)											(Millions of Dollars)
Income Tax Reductions[1]												
2000 Budget	9	68	34									111
2001 Budget		29	7	18								54
2002 Budget			15									15
2003 Budget					39							39
2005 Budget							30					30
2006 Budget							8	34				42
2007 Budget								25	51	28	16	119
Total												410
Property Tax Reductions[2]												
2000 Budget	26											26
2001 Budget		27										27
2002 Budget			10									10
2003 Budget				19								19
2004 Budget					23							23
2005 Budget						37						37
2006 Budget							39					39
2007 Budget								42	2	2	2	49
Total												230
Annual Totals	**35**	**124**	**67**	**37**	**62**	**37**	**77**	**101**	**53**	**30**	**18**	
Cumulative Annual Totals	**35**	**159**	**226**	**262**	**324**	**361**	**438**	**539**	**592**	**622**	**640**	**640**

Totals may not add due to rounding.

1 Measures that are subject to budget balancing requirements are not included.

2 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 in 1999	Tax Savings in 2007	Tax Savings in 2008	Cumulative Savings over 8 Years	2008 Savings over 1999
	(Dollars)			(Dollars)	(Percentage)
SINGLE PERSON					
10,000	178	124	146	894	82.0
20,000	1,369	200	222	1,540	16.2
40,000	4,012	583	629	3,759	15.7
70,000	9,153	1,624	1,778	9,667	19.4
100,000	14,572	1,823	1,977	11,392	13.6
SENIOR COUPLE[1]					
30,000	571	539	571	4,060	100.0
40,000	1,632	519	562	3,949	34.4
60,000	4,542	803	860	5,726	18.9
80,000	7,844	1,201	1,292	7,697	16.5
FAMILY OF FOUR – ONE EARNER[2]					
25,000	591	391	511	3,183	86.5
40,000	2,891	820	964	5,741	33.3
60,000	6,625	1,778	1,972	11,409	29.8
75,000	9,435	2,051	2,304	13,151	24.4
100,000	13,951	1,972	2,225	12,599	15.9
FAMILY OF FOUR – TWO EARNERS[2]					
30,000	691	321	365	2,672	52.8
40,000	1,453	373	416	3,283	28.6
60,000	4,107	739	796	5,754	19.4
80,000	7,169	1,315	1,402	9,088	19.6
100,000	10,188	1,762	1,889	11,403	18.5

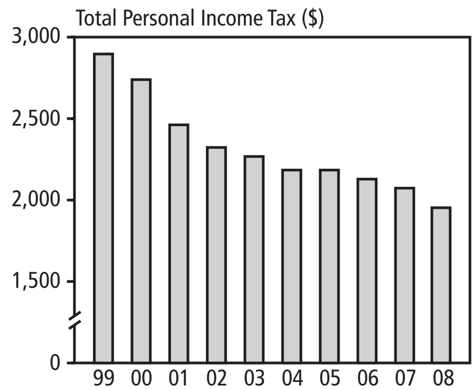
[1] For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40%.

[2] 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.

* Income does not reflect UCCB entitlements but entitlements have been used to determine year-over-year savings.

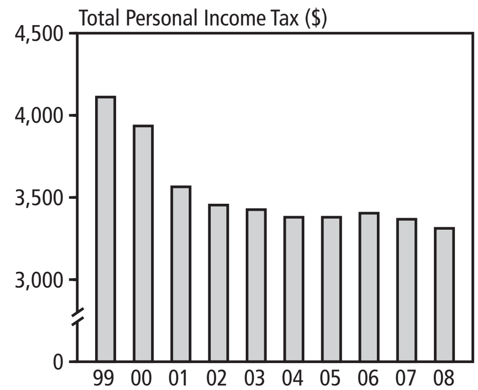
MANITOBA INCOME TAXES SINCE 1999

One-Earner Family of Four at $40,000



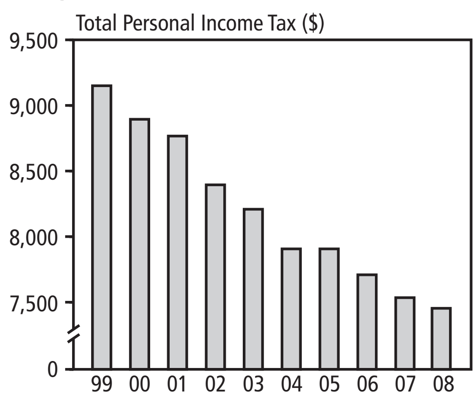
Source: Manitoba Finance

Two-Earner Family of Four at $60,000



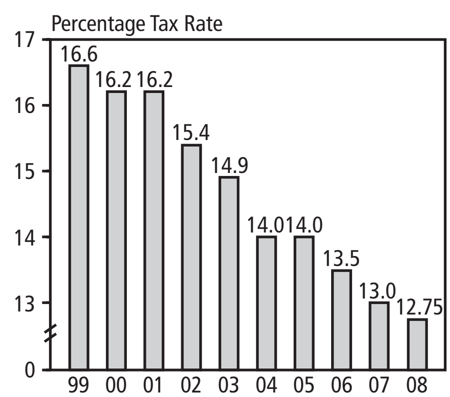
Source: Manitoba Finance

Single Individual at $70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

2007 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rate applicable on December 31, 2007.

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%)[1]	14.70	10.00	15.00	**17.40**	17.41
Health Care Premiums ($)[2]	1,296	1,056	----	**----**	0 to 900
Corporation Income Tax (%)					
Small	4.50	3.00	4.50	**3.00**	5.50
Large	12.00	10.00	13.00	**14.00**	14.00
Manufacturing	12.00	10.00	10.00	**14.00**	12.00
Small business threshold ($000)	400	430	450	**400**	400
Capital Tax (%)[3]	----	----	0.15	**0.3**	0.285
Banks	3.00	----	3.25	**3.00**	0.90
Employer Payroll Tax (%)[4]	----	----	----	**2.15**	1.95
Sales Tax (%)[5]	7.00	----	5.00	**7.00**	8.00
Diesel Fuel Tax (¢/l)[6]	15.00	9.00	15.00	**11.50**	14.30
Gasoline Tax (¢/l)[7]	14.50	9.00	15.00	**11.50**	14.70
Tobacco Tax (¢/cigarette)[8]	17.90	16.00	18.30	**17.50**	12.35
Corporate Income Tax Credits					
Manufacturing (%)[9]	-	-	5.00	**10.00**	-
Research & Development (%)[10]	10.00	-	15.00	**20.00**	10.00

1 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.

2 The premiums for the QC Prescription Drug Plan are based on income and are a maximum of $521 for a single person and $1,042 for a family. The premiums for BC and AB are family rates; 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.

3 MB has a $10 million deduction and a 0.5% rate on paid-up capital in excess of $21 million. SK exempts capital tax on new capital. On existing capital, SK has a $10 million deduction, a $10 million supplemental deduction based on a company's wage allocation to SK, and a surcharge of up to 3.6% for resource companies. ON has a $12.5 million deduction. NB and NS have a $5 million deduction. QC has a $1 million exemption and graduated rate reductions for the range between $1 million and $4 million.

4 NL exempts firms with payrolls of less than $600,000. ON exempts firms with payrolls of less than $400,000. MB exempts firms with payrolls of less than $1 million. QC has graduated rates for firms with payrolls of under $5 million.

FEDERAL AND MANITOBA INCOME TAX RATES, 2007

Personal Income Tax Rates

Federal

Rate	Taxable Income Range
15.5%	$0 - $37,177
22%	$37,178 - $74,357
26%	$74,358 - $120,887
29%	over $120,887

Manitoba

Rate	Taxable Income Range
10.9%	$0 - $30,544
13.0%	$30,545 - $65,000
17.4%	over $65,000

	QC	NB	NS	PE	NL
Personal Income Tax					
Top Marginal Rate (%)[1]	19.22	17.95	19.25	18.37	19.64
Health Care Premiums ($)[2]	0 to 1042	----	----	----	----
Corporation Income Tax (%)					
Small	8.00	5.00	5.00	4.30	5.00
Large	9.90	13.00	16.00	16.00	14.00
Manufacturing	9.90	13.00	16.00	16.00	5.00
Small business threshold ($000)	400	400	400	400	400
Capital Tax (%)[3]	0.49	0.20	0.225	----	----
Banks	0.98	3.00	4.00	5.00	4.00
Employer Payroll Tax (%)[4]	4.26	----	----	----	2.00
Sales Tax (%)[5]	7.50	8.00	8.00	10.00	8.00
Diesel Fuel Tax (¢/l)[6]	16.20	16.90	15.40	11.50	16.50
Gasoline Tax (¢/l)[7]	15.20	10.70	15.50	11.50	16.50
Tobacco Tax (¢/cigarette)[8]	10.30	11.75	16.52	17.45	18.00
Corporate Income Tax Credits					
Manufacturing (%)[9]	-	-	-	10.00	-
Research & Development (%)[10]		15.00	15.00	-	15.00

[5] 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.

[6] Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST. PE applies provincial sales tax on wholesale price.

[7] Vancouver, Victoria and Montreal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST. PE applies provincial sales tax on wholesale price.

[8] SK, MB, NB, NS and NL apply sales tax to all tobacco products.

[9] SK's credit is fully refundable. 50% of MB's credit is refundable. PE's credit is non-refundable.

[10] ON, NB, NS, and NL's credit is refundable. SK and MB is non-refundable. BC's is refundable for expenditures by CCPCs of up to $2 million.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate*	21.00%	14.00%
Surtax	1.12%	
Total	22.12%	

*** After provincial abatement and general rate reduction**

Small Business Income Tax Rates

	Federal	Manitoba
Basic Rate	12.00%	3.0%
Surtax	1.12%	
Total	13.12%	
Threshold	$400,000	$400,000

APPENDIX: MANITOBA TAX EXPENDITURES 2006/07

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. Tax expenditure accounts should not be associated with identifying tax loopholes or areas where reform is needed.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results.

1. There are no formal accounting guidelines for tax expenditures.
2. 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.
3. The values in the account are estimates.

Point 2 can best be illustrated by example. Changing something that is a deduction from income (ex: 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 2006/07 fiscal year. They do not include measures announced in the 2007 Budget, or measures announced in previous budgets for implementation after 2007.

Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. 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	2006/07 (millions of dollars)
Education Property Tax Credit (including the Homeowner's Advance)	184.3
Personal Tax Credit	48.2
Farmland School Tax Rebate	24.6
School Tax Credit for Homeowners	2.6
Political Contribution Tax Credit (for individuals only)	0.9
Community Enterprise Development Tax Credit	0.6
Riparian Tax Credit	0.1

MANITOBA TAX EXPENDITURES, 2006/07

(Millions of Dollars)

PERSONAL INCOME TAX

(a) Adjustments to Income (in accordance with tax collection agreements)

Contributions to RRSPs	129.0
Contributions to RPPs	65.9
Capital gains inclusion rate	65.1
Lifetime capital gains exemption	25.3
Social assistance, WCB, and OAS/GIS (non-taxable income)	18.5
Union dues and professional fees	14.6
Child-care expenses	10.9
Northern residents deduction	5.8
Pension Income Splitting	2.8
Moving expenses	1.6
Scholarship and bursary income exemption	1.3
Tradespeople's tool expense	0.4

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

Basic personal	563.4
CPP/EI	98.9
Charitable donations	61.1
Age	29.4
Tuition fees and education amount ($400/month)	24.5
Medical expenses	22.6
Spousal	21.3
Eligible dependent	13.4
Private pension	11
Disability	9.8
Foreign tax credit	2.3
Caregiver	1.5
Student loan interest	0.9
Children's Fitness Tax Credit	0.8
Infirm dependents	0.1
Adoption Expenses Tax Credit	0.1

(c) Other Manitoba Tax Measures

Tuition Rebate Tax Credit	2.2
Labour-sponsored Venture Capital Corporations Tax Credit	1.5
Mineral Exploration Tax Credit	0.8
Overseas Employment Tax Credit	0.4

	(Millions of Dollars)
CORPORATION INCOME TAX	
Low rate for small business	112.7
Manufacturing investment tax credit	31.9
Research and development tax credit	15.0
Film and video production tax credit	17.6
Odour control tax credit	0.5
Co-operative education tax credit	0.6
PAYROLL TAX	
$1 million exemption	113.3
Exemption for interjurisdictional common carriers	12.1
RETAIL SALES TAX	
Exemptions and Refund Programs	
Groceries	187.5
Farm machinery and repairs	42.3
Farm and organic fertilizer	21.6
Prescription drugs and medicine	18.3
Farm pesticides and herbicides	16.4
Books, free magazines and newspapers and school yearbooks	15.8
Medical supplies, appliances and equipment	12.0
Electricity used for manufacturing or mining	11.3
Natural gas for residential heating	11.2
Water supplied by a municipality	10.3
Children’s clothing and footwear	9.5
Custom software and computer programming	6.2
Vehicle trade-ins	5.3
Toll-free calls	4.9
Electricity for residential heating	4.6
Vehicle private buy/sell refunds	2.9
Direct agents - manufacturing and service industries; drill bits and explosives used in mining industry	2.3
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use)	1.4
Qualifying geophysical survey and explorations equipment, drill rigs and well servicing equipment used in oil and gas exploration and development	1.3
Feminine hygiene products	1.0
Mobile, ready-to-move and modular homes (point of sale reduction)	0.8
Films for public broadcast	0.4
Farm manure slurry tanks and lagoon liners	0.3
Qualifying geophysical survey and exploration equipment and prototype mining equipment	0.1
Biodiesel	0.1

	(Millions of Dollars)
FUEL TAXES	
Marked gasoline and diesel	42.7
Gasohol taxed at lower rate	1.9
CORPORATION CAPITAL TAX	
Capital deduction	31.5
Credit unions and caisses populaires exemption	14.6
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, February 27, 2007

■ DONATIONS OF PUBLICLY LISTED SECURITIES TO REGISTERED CHARITIES AND FOUNDATIONS

The federal government and Manitoba provide tax credits for donations by individuals to charities and foundations (both public and private). These credits can cover almost half the value of the donation.

In addition, both levels of government no longer tax capital gains on appreciated securities when they are donated to a charity or foundation. Together, the tax credits and the capital gains exemption offer a significant incentive to donors. They provide an additional layer of support for the needs of charities, such as hospitals and universities, which receive much of their funding directly from the Province. In effect, charitable institutions and the foundations that support them can autonomously access what amounts to cost-sharing support from the federal and provincial governments through the tax system, without submitting a single grant application to governments.

In 2006, the federal government announced new tax incentives for individuals who make donations of publicly listed securities to a qualified donee, including registered charities and public foundations. In 2007, this was extended to include private foundations. Manitoba parallels the income tax treatment of this type of donation.

Where a share is disposed of for an amount greater than its cost, the appreciation is a capital gain. Generally, 50 per cent of such gains are included in taxable income. Donations of publicly listed securities to a qualified donee are eligible for preferential tax treatment. (Donated shares cannot be in a RSP and the amount claimable in any year cannot exceed 75 per cent of the donor's net income for that year.) The 2006 federal budget reduced the previous preferential capital gain inclusion rate for such donations from 25 per cent to zero, and Manitoba paralleled this change.

Example – 2007 Tax Rates

Assume the donation is made up of eligible appreciated securities with a fair market value of $100,000, and that its original cost was $40,000. The full capital gain inclusion would be $30,000, or 50 per cent of the appreciation of $60,000. In 2007, the capital gain inclusion for eligible contributions of this type is reduced to zero. Assume the donor has sufficient income for this level of donation, and is in the top income tax bracket: 29 per cent federal and 17.4 per cent provincial. Assume the donation is not part of the first $200 claimed. Total savings would be as follows:

Donation (market value after appreciation)	$100,000.00
Original Securities book value	$40,000.00
Appreciation	$60,000.00

CALCULATIONS	Federal	MB	TOTAL
Tax credit on donation	$29,000.00	$17,400.00	$46,400.00
Tax credit as per cent of donation	29.0%	17.4%	46.4%
Add: Capital gain tax reduction (2007)	$8,700.00	$5,220.00	$13,920.00
Capital gain tax reduction as per cent of donation	8.7%	5.2%	13.9%
COMBINED Tax Saving	$37,700.00	$22,620.00	$60,320.00
Combined Saving as per cent of Donation	**37.7%**	**22.6%**	**60.3%**
Net Cost of Donation			$39,680.00