

**Budget Paper C**

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**TAXATION  
ADJUSTMENTS**

# TAXATION ADJUSTMENTS

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## ■ SUMMARY OF 2008 TAX MEASURES

All amounts are revenue reductions or expenditure increases

	2008/09	Full Year
	(Millions of Dollars)	
<b>Ongoing Tax Reductions<sup>1</sup></b>		
Personal Tax Reductions	39.6	39.6
Business Tax Reductions	61.2	68.0
Farmland School Tax Rebate <sup>2</sup>	2.2	2.2
	<b>103.0</b>	<b>109.8</b>
<b>Personal Tax Measures</b>		
Education Property Tax Credit Basic Amount increased <sup>2</sup>	24.5	24.5
Personal Income Tax Rate and Bracket changes	3.7	14.8
Basic Personal and Spousal Amounts increased	1.8	7.0
Tax-Free Savings Accounts introduced <sup>3,4</sup>	0.2	5.7
Primary Caregiver Tax Credit introduced	1.0	5.4
Personal Tax Credit increased <sup>2</sup>	0.6	2.3
Community Enterprise Development Tax Credit extended <sup>2</sup>	0.2	0.6
Northern Residents Deduction increased <sup>4</sup>	0.4	0.4
Retail Sales Tax eliminated on smoking cessation products	0.4	0.4
Manitoba Mineral Exploration Tax Credit extended	0.1	0.4
	<b>32.9</b>	<b>61.5</b>
<b>Business Tax Measures</b>		
Corporation Capital Tax phased out	14.4	59.2
Corporation Income Tax General Rate reduced	3.5	28.4
Small Business Rate reduced	2.8	9.7
Capital Cost Allowance Rates for Manufacturers <sup>4</sup>	0.7	8.7
Journeypersons Hiring Incentive introduced	0.0	4.8
Film and Video Production Tax Credit enhanced	4.5	3.6
Manufacturing Investment Tax Credit enhanced and extended	2.8	2.8
Interactive Digital Media Tax Credit introduced	1.3	2.0
Book Publishing Tax Credit introduced	0.4	0.5
Retail Sales Tax eliminated on selected items	0.5	0.5
	<b>30.9</b>	<b>120.2</b>
<b>Total Changes, 2008 Budget</b>	<b>63.8</b>	<b>181.7</b>
<b>Total Changes Including Ongoing Tax Reductions</b>	<b>166.8</b>	<b>291.5</b>

<sup>1</sup> Ongoing tax reductions are those that were announced in previous budgets to take effect in 2008. These are: (a) the increase in the Basic Personal, Spousal and Eligible Dependent Amounts; (b) the reduction in the middle bracket rate and the increase in the top bracket threshold; (c) the introduction of the Family Tax Benefit; (d) the decrease in both corporation income tax rates; (e) the increase in the refundable portion of the Manufacturing Investment Tax Credit; (f) the reduction in the Corporation Capital Tax rates; (g) the increase in the threshold for the Health and Post-Secondary Education Tax Levy; (h) the introduction of the Community Enterprise Investment Tax Credit; and (i) the increase in the Farmland School Tax Rebate.

<sup>2</sup> Expenditure increase

<sup>3</sup> The value of the tax savings to Manitobans due to Tax-Free Savings Accounts is likely to rise steadily over time. The full-year value shown is an estimate for 2010/11.

<sup>4</sup> Parallels 2008 federal budget change, pursuant to the Tax Collection Agreement.

## ■ PERSONAL TAX MEASURES

### EDUCATION PROPERTY TAX CREDIT BASIC AMOUNT

(2008/09 expenditure impact: \$24.5 million)

The basic amount of this credit is increased from \$525 to \$600. Homeowners will have this amount subtracted from their 2008 property tax bills, with the Province reimbursing school divisions and municipal governments accordingly. Renters will receive the increased amount when they file their 2008 income tax return. The basic Education Property Tax Credit is not income tested and is especially beneficial to low-income households who do not pay income tax.

This measure saves homeowners and renters \$24.5 million on a full-year basis.

*For more information, contact Location B, page C12.*

### PERSONAL INCOME TAX

#### Rate and Bracket Changes

(2008/09 revenue impact: \$-3.7 million)

Budget 2007 set out a five-year plan of personal income tax bracket and rate changes. The changes for 2009 are now confirmed. Starting January 1, 2009, the first bracket rate is reduced from 10.9% to 10.8%; the middle bracket threshold is raised from \$30,544 to \$31,000; and the top bracket threshold is raised from \$66,000 to \$67,000. These measures save Manitoba taxpayers \$14.8 million on a full-year basis.

The five-year plan, when complete, is projected to save Manitoba income tax payers \$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 overall saving of 10% compared to 2007.

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

Note: all changes planned after 2009 are subject to budget balancing requirements.

*For more information, contact Location B, page C12.*

## Basic Personal, Spousal, and Eligible Dependent Amounts

(2008/09 revenue impact: \$-1.8 million)

The Basic Personal Amount (BPA), the Spousal Amount, and the Eligible Dependent Amount are each increased by \$100 to \$8,134, effective January 1, 2009. This is the seventh increase in the BPA since 1999.

A taxpayer can claim a non-refundable tax credit for a dependent spouse, or if the taxpayer is a single parent, for one dependent child under 18. The maximum Spousal Amount and Eligible Dependent Amount are reduced by any income earned by the dependent. Budget 2007 raised the maximum Spousal and Eligible Dependent Amount by 24% from \$6,482 to \$8,034, reaching the same level as the BPA for the first time.

	1999	2009	Increase	%
<b>Basic Personal Tax Credit</b>	\$560.51	<b>\$878.47</b>	\$317.97	57%
<b>Spousal Tax Credit</b>	\$471.74	<b>\$878.47</b>	\$406.74	86%
<b>Eligible Dependent Tax Credit</b>	\$471.74	<b>\$878.47</b>	\$406.74	86%

This table shows that these three credits have increased well in excess of the 23% Consumer Price Index inflation rate over the period since 1999.

Approximately 2,100 low-income Manitobans are removed from the tax rolls due to the increases in Basic Personal, Spousal, and Eligible Dependent Amounts. Over all, Manitobans save \$7.0 million due to this measure on a full-year basis.

*For more information, contact Location B, page C12.*

## Tax-Free Savings Accounts

(2008/09 revenue impact: \$-0.2 million)

Provincial tax will not be applied to accumulations and withdrawals from the new Tax-Free Savings Account plans.

The tax-free savings plan allows taxpayers 18 years of age or older to deposit up to \$5,000 annually into a special account, commencing in 2009. There is no tax deduction for these contributions, but accumulations and withdrawals from the account will be free of both federal and provincial tax.

Withdrawals from a Tax-Free Savings Account will not be counted as income to reduce other income-tested provincial benefits, including the Personal Tax Credit, the Education Property Tax Credit, the School Tax Credits for Homeowners and Tenants, the Manitoba Shelter Benefit, Pharmacare, child-care subsidies, and others. This latter feature is intended to assist lower-income Manitobans, in particular, to save.

The value of the tax savings due to Tax-Free Savings Accounts is likely to rise steadily over time. The benefit to Manitobans for 2010/11 is estimated at \$5.7 million.

*For more information, contact Location B, page C12.*

## Primary Caregiver Tax Credit

(2008/09 revenue impact: \$-1.0 million)

The Primary Caregiver Tax Credit is introduced, 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 remain independent as long as possible.

The primary caregiver may be a spouse, other relative, neighbour or friend who provides care without remuneration to a Manitoba Home Care client.

The client must be assessed as requiring Care Level 2, 3, or 4 while living at home. Examples include those with a disability (young or old), those receiving palliative care, and others needing care or supervision for periods of more than three months.

After a three-month qualifying period, the refundable credit is \$85 per month to a maximum of \$1,020 per year to the primary caregiver for each client, 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 client's primary caregiver at any one time. A caregiver may not earn the credit for more than three clients within a given month.

The benefit to eligible primary caregivers is projected to be \$5.4 million on a full-year basis.

*For more information, contact Location I, page C12.*

## Personal Tax Credit

(2008/09 expenditure impact: \$0.6 million)

Commencing with the 2009 taxation year, the Personal Tax Credit is increased as illustrated in the following table.

	2008	2009	Percent Increase
Basic Credit	\$190	\$195	2.6%
Age Credit for Self	\$110	\$113	2.7%
Basic Credit for Spouse	\$190	\$195	2.6%
Age Credit for Spouse	\$110	\$113	2.7%
Disability Credit for Spouse	\$110	\$113	2.7%
Credit for Eligible Dependent	\$190	\$195	2.6%
Disability Credit for Self or Dependent	\$110	\$113	2.7%
Disability Credit for Dependents	\$60	\$62	3.3%
Credit for Dependent Children	\$25	\$26	4.0%

To ensure this credit targets those most in need, it is reduced by 1% of household income. Over 65% of the households that benefit from the Personal Tax Credit have incomes under \$20,000. The average net credit per household is over \$150. Manitobans claim the Personal Tax Credit upon filing their annual income tax return.

This change benefits over 281,000 lower-income households, and Manitobans will save \$2.3 million on a full-year basis.

*For more information, contact Location B, page C12.*

## Community Enterprise Development Tax Credit

(2008/09 revenue impact: \$-0.2 million)

The Community Enterprise Development Tax Credit was introduced in Budget 2003, and extended in Budget 2005. This Budget extends the credit for another three years, to the end of 2011.

This tax credit encourages Manitobans to invest in community-based enterprise development projects. It is a non-refundable personal income tax credit equal to 30% on a maximum \$30,000 investment in equity capital.

As a result of this measure, Manitobans save \$0.6 million on a full-year basis.

*For more information, contact Location G, page C12.*

## Northern Residents Deduction

(2008/09 revenue impact: \$-0.4 million)

Individuals who live in prescribed areas of northern Canada for at least six consecutive months may claim the Northern Residents Deduction in computing their taxable income. Effective January 1, 2008, the residency deduction is increased from \$7.50 to \$8.25 per person per day, and from \$15 to \$16.50 per day for a sole claimant in a household, as announced in the 2008 federal budget. Residents of the more isolated Northern Zone are eligible for the full deduction, while residents of the Intermediate Zone are eligible for a half deduction.

This measure reduces Manitoba revenue and provides northern residents with tax savings of \$0.4 million on a full-year basis.

*For more information, contact Location B, page C12.*

## Manitoba Mineral Exploration Tax Credit

(2008/09 revenue impact: \$-0.1 million)

Originally introduced in Budget 2002, the Mineral Exploration Tax Credit is 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 a qualifying exploration company to finance Manitoba mineral exploration projects. Combined with the renewed 15% federal exploration tax credit announced recently, this gives an additional incentive to invest in exploring for minerals in Manitoba. In parallel with the extension announced in the 2008 federal budget, the Manitoba credit is extended for one year, to flow-through share agreements entered into before April 1, 2009. Under the look-back rule, exploration expenditures renounced on funds raised on the issuance of flow-through shares in one year can be spent on eligible expenditures until the end of the subsequent year.

The one-year extension of this credit saves Manitobans about \$0.4 million on a full-year basis.

*For more information, contact Location D, page C12.*

## RETAIL SALES TAX

### Smoking Cessation Products

(2008/09 revenue impact: \$-0.4 million)

The Retail Sales Tax exemption for prescription smoking cessation products is broadened to include non-prescription products, effective May 1, 2008.

Manitobans save \$0.4 million on a full-year basis due to this measure.

*For more information, contact Location C, page C12.*

## ■ BUSINESS TAX MEASURES

### CORPORATION INCOME TAX

#### General Rate

(2008/09 revenue impact: \$-3.5 million)

The general rate falls from 14% to 13%, effective July 1, 2008. Budget 2007 announced a general rate reduction to 12%, effective July 1, 2009. This reduction is now confirmed. Manitoba businesses save \$28.4 million on a full-year basis due to this measure.

The Province intends to reduce the rate further to 11% at a date to be determined, subject to budget balancing requirements.

*For more information, contact Location A, page C12.*

#### Small Business Rate

(2008/09 revenue impact: \$-2.8 million)

Budget 2007 announced a Small Business Rate reduction from 2%, already the lowest rate in Canada, to 1% effective January 1, 2009. This reduction is now confirmed. The rate was reduced from 3.0% to 2.0% for 2008. To maintain integration of personal and business taxation for small business owners, the small business dividend tax credit rate (i.e., the rate on other-than-eligible dividends) is correspondingly reduced from 3.15% to 2.5%.

Manitoba small businesses save \$9.7 million on a full-year basis as a result of these measures.

*For more information, contact Location A, page C12.*

#### Reduction of Corporation Income Tax Rates since 1999

Taxable Income	1999	2008	2009
Up to \$200,000	8.0% <sup>1</sup>	2.0%	1.0%
\$200,000 to \$400,000	17.0%	2.0%	1.0%
Over \$400,000	17.0%	13.0% <sup>2</sup>	12.0% <sup>2</sup>

<sup>1</sup> Rate reduced from 9.0% July 1, 1999

<sup>2</sup> Effective July 1



## Capital Cost Allowance Rates for Manufacturers

(2008/09 revenue impact: \$-0.7 million)

In 2007, the tax depreciation for manufacturing and processing machinery and equipment was converted from a 30% declining balance capital cost allowance to a 50% straight line capital cost allowance on eligible property acquired after March 18, 2007 and before 2009. Pursuant to changes announced in the federal 2008 budget, the 50% straight line accelerated capital cost allowance is extended by one year. Furthermore, eligible property acquired by a manufacturer in 2010 will be eligible for a 50% declining balance capital cost allowance rate in the first year the property is acquired, a 40% declining balance rate in the next year and the regular 30% declining balance rate in subsequent years. Eligible property acquired by a manufacturer in 2011 will be eligible for a 40% declining balance capital cost allowance rate in the first year the property was acquired and the regular 30% declining balance rate in subsequent years. The 30% declining balance capital cost allowance rate will be restored to eligible property acquired after 2011.

Manufacturers in Manitoba save \$8.7 million on a full-year basis due to this measure.

For more information, contact Location A, page C12.

## Co-op Education and Apprenticeship Tax Credits

(No revenue impact in 2008/09)

The Co-operative Education Tax Credit is expanded and renamed the Co-op Education and Apprenticeship Tax Credits.

A new component is added, called the Journeypersons Hiring Incentive (J-HI) that provides a tax credit to employers of recent graduates of apprenticeship programs.

The terms of J-HI are similar to those of the Co-op Graduates Hiring Incentive (COGHI). An eligible employer may earn a refundable tax credit for each of the first two twelve-month periods of permanent, full-time employment of a journeyperson for work performed in their certified trade primarily in Manitoba.

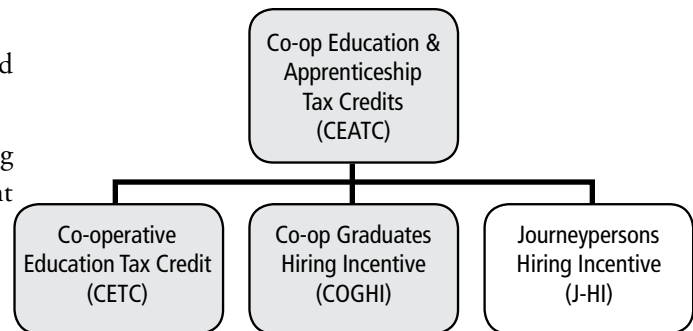
The credit equals 5% of wages and salaries paid to the journeyperson (net of other government assistance) up to \$2,500 per twelve months of employment for each journeyperson. Employment periods must be continuous and consecutive, but each twelve-month period may be interrupted by a seasonal layoff of not more than three months. There is no limit on the number of journeypersons an employer may hire to earn the credit.

Eligible employers may be taxable corporations, not-for-profit agencies, Crown corporations, municipalities, universities, schools, hospitals, or unincorporated entities. In a year in which the tax credit is earned, the employer must be a participant in an apprenticeship program in Manitoba by a) having at least one apprentice registered to the employer who has completed the first year of apprenticeship with the employer, or b) having had an apprentice who completed at least two full years of apprenticeship within the previous five years.

The journeyperson must have received his or her Certificate of Qualification in Manitoba or elsewhere in Canada after April 9, 2008, and must be hired by the employer within 18 months of certification.

The projected full-year benefit to eligible employers is \$4.8 million.

For more information, contact Location B, page C12.



### **Film and Video Production Tax Credit**

(2008/09 revenue impact: \$-4.5 million)

Building upon enhancements made to the Manitoba Film and Video Production Tax Credit in previous budgets, the following measures are introduced effective for productions commencing principal photography after 2007:

1. a new 5% Manitoba Producer bonus is introduced based on eligible salaries where a Manitoba resident receives credit as a Producer on an eligible film;
2. the Frequent Filming bonus for returning producers, introduced in Budget 2004, is increased from 5% to 10%;
3. the percentage of eligible salaries paid to non-residents for work performed in Manitoba that is eligible for the film tax credit is increased from 20% to 30% of eligible salaries paid to Manitobans;
4. the current requirement that non-residents train Manitobans working on an eligible film will be redesigned to emphasize the transfer of skills to Manitoba technical crew members, regardless of the residency of the person who provides the training.

The estimated full-year revenue impact of these measures is \$3.6 million.

Since 2000, Manitoba has introduced a 5% Rural and Northern Manitoba incentive, a 5% Frequent Filming Bonus (now increased to 10%), a 5% Manitoba Producer bonus, and has increased the basic film tax credit from 35% to 45%. A film producer can now qualify for a maximum 65% Manitoba film tax credit rate, the highest in Canada.

The Government intends to examine the film tax credit with a view to changes that would better serve the needs of local producers in Manitoba. The review will be undertaken in consultation with representatives from the Manitoba film industry.

*For more information, contact Location E, page C12.*

### **Manufacturing Investment Tax Credit**

(2008/09 revenue impact: \$-2.8 million)

As previously announced, the refundable portion of this credit is increased from 35% to 70%, effective January 1, 2008, superseding the Budget 2007 announcement of a 50% rate for 2008. This credit was made refundable at the 20% level by the 2005 Budget, and at the 35% level by the 2006 Budget.

This credit, scheduled to expire on June 30, 2009, is extended to December 31, 2011.

These measures save manufacturers in Manitoba \$2.8 million on a full-year basis.

*For more information, contact Location A, page C12.*

## Interactive Digital Media Tax Credit

(2008/09 revenue impact: \$-1.3 million)

A new refundable corporation income tax credit is introduced for companies that develop and produce interactive digital media projects in Manitoba. The tax credit will be equal to 40% of the remuneration paid to Manitobans on eligible projects approved by Manitoba Science, Technology, Energy and Mines. The maximum tax credit on an eligible project is \$500,000. Projects that begin prototyping and product development after April 9, 2008 and before 2011 will qualify for the credit.

A qualifying company must be a taxable Canadian corporation with a permanent establishment in Manitoba. The tax credit will be processed as part of a qualifying company's annual income tax return and administered by the Canada Revenue Agency.

This tax credit replaces the Manitoba New Media Production Grant, which is available for projects developed and produced prior to April 10, 2008. Project eligibility under the tax credit builds upon the criteria under the Grant.

The estimated full-year tax saving to Manitoba companies is \$2.0 million.

*For more information, contact Location F, page C12.*

## Book Publishing Tax Credit

(2008/09 revenue impact: \$-0.4 million)

To assist the development of the book publishing industry in Manitoba, the Book Publishing Tax Credit is introduced, equal to 40% of eligible Manitoba labour costs. Eligible labour costs include non-refundable author advances; and remuneration for activities carried out in Manitoba, including: salaries for editing, design and project management; fees to freelancers for editing, design, and research; artwork; and development of prototypes. This tax credit is refundable; the maximum credit claimable by a publisher is \$100,000 per year.

An eligible publisher must be engaged primarily in the business of publishing books, must have a permanent establishment or be resident in Manitoba, must pay at least 25% of its wages and salaries to employees who are Manitoba residents, and must have recently published at least two qualifying books.

A qualifying book is a new, non-periodical publication that is Canadian-authored and is categorized as fiction, non-fiction, poetry, drama, biography or children's. A book eligible for a Book Publishing Tax Credit is a qualifying book for which contracts were entered into after April 9, 2008, and which is published before 2012.

Eligible labour costs must be incurred and paid in Manitoba by the publisher after April 9, 2008 and before 2012.

To promote environmental sustainability in this industry, an additional bonus equal to 10% of the Manitoba printing costs can be earned by the publisher if an eligible book is printed on paper with a minimum of 30% recycled content. Eligible printing costs must be incurred and paid within one year of publication of the eligible book.

The full-year benefit of this measure to book publishers is estimated at \$0.5 million.

*For more information, contact Location J, page C12.*

## Community Enterprise Investment Tax Credit

(2008/09 revenue impact: not applicable)

Budget 2007 introduced the Community Enterprise Investment Tax Credit as a complement to the Community Enterprise Development Tax Credit. This non-refundable income tax credit 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. The minimum investment required by an investor is \$20,000 and the maximum annual tax credit that may be claimed by an investor is \$45,000. Currently, the maximum annual investment by an investor that qualifies for a tax credit is \$150,000. This Budget increases the maximum annual investment limit by an investor to \$450,000, retroactive to the commencement of the program, January 1, 2008.

This change increases the maximum amount of the tax credit earned by an investor in a given year (\$135,000) but does not affect the maximum amount of the tax credit deductible against Manitoba income tax otherwise payable in a given year (\$45,000).

*For more information, contact Location H, page C12.*

## CORPORATION CAPITAL TAX

(2008/09 revenue impact: \$-14.4 million)

Budget 2007 committed Manitoba to eliminate the general Corporation Capital Tax (CCT), except for Crown corporations, as of December 31, 2010, subject to budget balancing requirements.

For manufacturing and processing corporations, CCT is now eliminated effective July 1, 2008, saving these companies about \$25 million a year compared to 2007. Moving up the elimination of CCT for manufacturers will help this sector adjust to the challenges posed by the strong Canadian dollar and overseas competition.

For other corporations subject to the general CCT, elimination as of December 31, 2010 is now confirmed. Rates will be reduced as follows:

- for corporations with total paid-up capital over \$21 million, the rate will be reduced from 0.4% to 0.3% for fiscal years commencing after January 1, 2009, and to 0.2% for fiscal years commencing after January 1, 2010. The tax is eliminated after December 31, 2010.
- for corporations with total paid-up capital between \$10 million and \$20 million, the rate will be reduced from 0.2% to 0.1% for fiscal years commencing after January 1, 2009, and to zero for fiscal years commencing after January 1, 2010. (There is a notch provision for total paid-up capital between \$20 million and \$21 million, which will be adjusted accordingly.)

CCT will be eliminated after December 31, 2010. Corporations with fiscal years straddling this date will prorate the CCT payable for their fiscal year.

Eligible corporations save \$59.2 million on a full-year basis due to these measures.

*For more information, contact Location C, page C12.*

## RETAIL SALES TAX

### Selected Business Items

(2008/09 revenue impact: \$-0.5 million)

The following are exempted from Retail Sales Tax, effective May 1, 2008: services to direct agents (items consumed in a manufacturing process), welding tips and nozzles, and rolls used in the pulp and paper industry.

Also effective May 1, 2008, the existing shipping supplies exemption is expanded to include non-returnable stabilizing supplies.

Manitoba businesses save \$0.5 million on a full-year basis due to these measures.

*For more information, contact Location C, page C12.*

## ■ GREEN MEASURE

### EMISSIONS TAX ON COAL

(no revenue impact until 2011/12)

A new tax of \$10 per tonne of carbon-dioxide-equivalent emissions will apply to coal effective July 1, 2011. The tax rate will subsequently be raised to \$30 per tonne on a schedule to be announced in a future budget. The Province will also contribute up to 25% of private sector capital costs of investments to convert from coal, and will work with coal users to find appropriate substitutes.

*For more information, contact Location A, page C12.*

## ■ TECHNICAL AND ADMINISTRATIVE MEASURES

- *The Tobacco Tax Act* will be amended to require tobacco manufacturers to have a permit for all equipment used in Manitoba to manufacture tobacco products, and to update the marking provisions.

*For more information, contact Location A, page C12.*

- The capital gains refund provisions under Manitoba income taxation applicable to mutual fund trusts will be made fully available to mutual fund corporations retroactive to 2006.

*For more information, contact Location A, page C12.*

- The Riparian Tax Credit will be extended to permit another intake group running from 2009 through 2013.

*For more information, contact Location B, page C12.*

**■ CONTACTS FOR FURTHER INFORMATION****A: *Federal-Provincial Relations  
and Research Division, Manitoba Finance***

Telephone: 204-945-3757  
Facsimile: 204-945-5051  
e-mail: fedprov@gov.mb.ca

**B: *Manitoba Tax Assistance Office  
Manitoba Finance***

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

**C: *Taxation Division, Manitoba Finance***

Telephone: in Winnipeg 204-945-5603  
Toll-free 1-800-782-0318  
Facsimile: 204-945-0896  
e-mail: mbtax@gov.mb.ca

**D: *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

**E: *Manitoba Film & Sound Recording  
Development Corporation***

410-93 Lombard Avenue  
Winnipeg, MB R3B 3B1  
Telephone: 204-947-2040  
Fax: 204-956-5261  
e-mail: explore@mbfilmsound.mb.ca

**F: *Knowledge Enterprises Branch  
Manitoba Science, Technology, Energy and Mines***

Telephone: 204-945-0589  
Fax: 204-945-3977  
e-mail: newmediainquiries@gov.mb.ca

**G: *Economic Development Initiatives  
Manitoba Agriculture, Food and Rural Initiatives***

Toll-free: 1-800-567-7334  
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Manitoba Culture, Heritage, Tourism and Sport***

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## ■ 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<sup>1</sup></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>2</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
SUBTOTAL	26	27	10	19	23	37	39	42	27	2	2	255
Annual Totals	35	124	67	37	62	37	77	101	79	60	32	710
Cumulative Annual Totals	35	159	226	262	324	361	438	539	618	678	710	

Totals may not add due to rounding.

<sup>1</sup> Measures that are subject to budget balancing requirements are not included.

<sup>2</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 in 1999	Tax Savings		Cumulative Savings over 10 Years	2009 Savings over 1999
		in 2008	in 2009		
	(Dollars)			(Dollars)	(Percentage)
<b>SINGLE PERSON<sup>1</sup></b>					
10,000	178	145	161	1,052	90.4%
20,000	1,369	221	242	1,777	17.7%
40,000	4,012	626	665	4,421	16.6%
70,000	9,153	1,783	1,869	11,541	20.4%
100,000	14,572	1,983	2,069	13,467	14.2%
<b>FAMILY OF FOUR – ONE EARNER<sup>1</sup></b>					
25,000	591	509	543	3,719	91.9%
40,000	2,891	961	1,010	6,740	34.9%
60,000	6,625	1,977	2,016	13,419	30.4%
75,000	9,435	2,309	2,396	15,537	25.4%
100,000	13,951	2,230	2,319	14,903	16.6%
<b>FAMILY OF FOUR – TWO EARNERS<sup>1</sup></b>					
30,000	691	363	399	762	57.7%
40,000	1,453	413	457	3,273	31.5%
60,000	4,107	792	846	5,740	20.6%
80,000	7,169	1,405	1,468	9,083	20.5%
100,000	10,188	1,891	1,968	11,394	19.3%
<b>SENIOR COUPLE<sup>2</sup></b>					
30,000	571	571	587	4,680	102.8% <sup>3</sup>
40,000	1,632	562	610	4,550	37.4%
60,000	4,542	1,022	1,092	7,144	24.0%
80,000	7,844	1,292	1,369	9,059	17.5%

<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.

<sup>2</sup> For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension. For the years 1999 through 2006, it is assumed that private pension income was split 60/40 by the spouses. The ability to split private pension income was offered beginning with 2007. For 2007, 2008 and 2009, it is assumed that private pension income is split 50/50 where a tax saving would be realized by doing so.

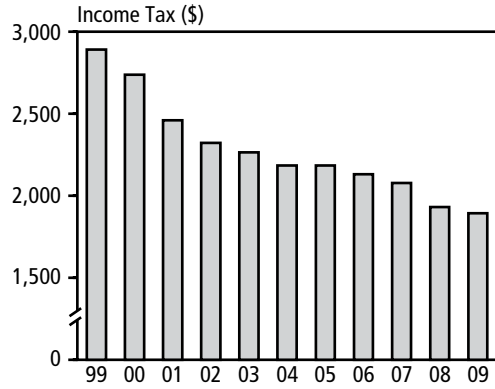
<sup>3</sup> The value exceeds 100% due to a refundable tax credit.

\* Income does not reflect Universal Child Care Benefit entitlements but entitlements have been used to determine year-over-year savings.



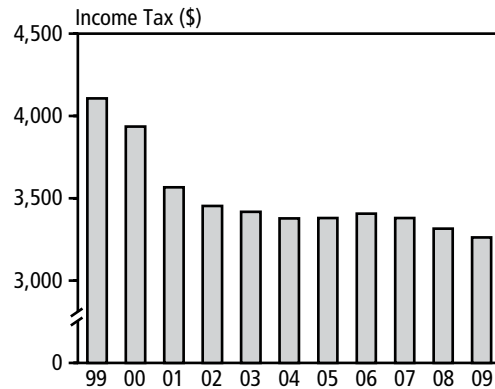
## MANITOBA INCOME TAX SINCE 1999

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



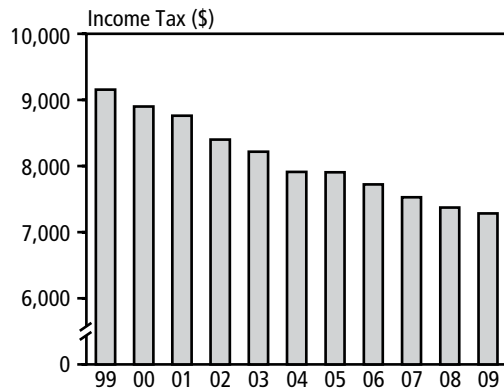
Source: Manitoba Finance

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



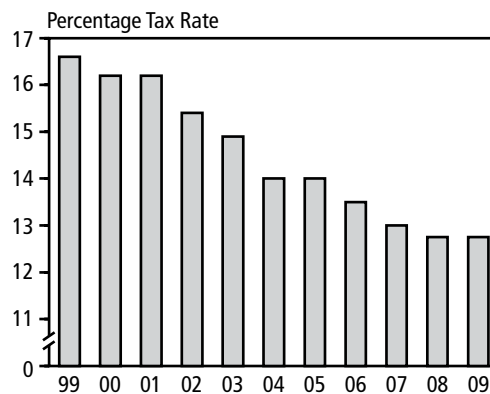
Source: Manitoba Finance

### Single Individual at \$70,000



Source: Manitoba Finance

### History of Middle Bracket Rate Reductions



Source: Manitoba Finance

## ■ 2008 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rate applicable on December 31, 2008. Data as of March 31, 2008

	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 (\$)</b> <sup>2</sup>	1,296	1,056	----	----	0 to 900
<b>Employer Payroll Tax (%)</b> <sup>3</sup>	----	----	----	2.15	1.95
<b>Corporation Income Tax (%)</b>					
Small	3.50	3.00	4.50	2.00	5.50
Large	11.00	10.00	12.00	13.00	14.00
Manufacturing	11.00	10.00	10.00	13.00	12.00
Small business threshold (\$000)	400	460	500	400	500
<b>Capital Tax (%)</b> <sup>4</sup>	----	----	----	0.20	0.225
Manufacturers	----	----	----	----	----
Banks	3.00	----	3.25	3.00	0.855
<b>Sales Tax (%)</b> <sup>5</sup>	7.00	----	5.00	7.00	8.00
<b>Diesel Fuel Tax (¢/l)</b> <sup>6</sup>	15.00	9.00	15.00	11.50	14.30
<b>Gasoline Tax (¢/l)</b> <sup>7</sup>	14.50	9.00	15.00	11.50	14.70
<b>Tobacco Tax (¢/cigarette)</b> <sup>8</sup>	17.90	18.50	18.30	17.50	12.35
<b>Corporation Income Tax Credits</b>					
Manufacturing (%) <sup>9</sup>	-----	----	5.00	10.00	----
Research & Development (%) <sup>10</sup>	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 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. 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.

<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 \$600,000.

<sup>4</sup> MB has a \$10 million deduction and a 0.4% rate on taxable paid-up capital in excess of \$21 million. QC has a \$1 million exemption and graduated rate reductions for the range between \$1 million and \$4 million. ON has a \$12.5 million deduction. NB and NS have a \$5 million deduction. MB, ON, QC exempt manufacturers from capital tax.

## ■ FEDERAL AND MANITOBA INCOME TAX RATES, 2008

### Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
15%	\$0 – \$37,885	10.9%	\$0 – \$30,544
22%	\$37,886 – \$75,769	12.75%	\$30,545 – \$66,000
26%	\$75,770 – \$123,184	17.4%	over \$66,000
29%	over \$123,184		

QC	NB	NS	PE	NL	
19.22	17.95	19.25	18.37	16.50	<b>Personal Income Tax</b>
0 to 1,042	----	----	----	----	Top Marginal Rate (%) <sup>1</sup>
4.26	----	----	----	2.00	<b>Health Care Premiums (\$)²</b>
8.00	5.00	5.00	3.20	5.00	<b>Employer Payroll Tax (%)³</b>
11.40	13.00	16.00	16.00	14.00	<b>Corporation Income Tax (%)</b>
11.40	13.00	16.00	16.00	5.00	Small
400	400	400	400	400	Large
0.36	0.10	0.20	----	----	Manufacturing
----	0.10	0.20	----	----	Small business threshold (\$000)
0.98	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	17.45	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 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. Effective July 1, 2008, BC additionally imposes a carbon tax of 2.8 cents per litre of diesel fuel. QC applies QST and 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.

<sup>7</sup> Vancouver, Victoria and Montréal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre, respectively. Effective July 1, 2008, BC additionally imposes a carbon tax of 2.4 cents per litre of gasoline. QC applies QST and 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.

<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 credit is refundable for Canadian-controlled Private Corporations for expenditures up to \$2 million. SK and MB is non-refundable. ON, NB, NS, and NL's credit is refundable.

### Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate	19.5%*	13.0%**
Small Business Rate	11.0%	2.0%
Small Business Threshold	\$400,000	\$400,000

\* After provincial abatement and general rate reduction  
 \*\* Effective July 1, 2008

## ■ APPENDIX: MANITOBA TAX EXPENDITURES 2007/08

### 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. 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. 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 2007/08 fiscal year. They do not include measures announced in the 2008 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. 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>2007/08</u>
	(millions of dollars)
Education Property Tax Credit (including the Advance)	222.9
Personal Tax Credit	46.3
Farmland School Tax Rebate	28.8
School Tax Credit for Homeowners	2.3
Political Contribution Tax Credit (for individuals only)	0.9
Community Enterprise Development Tax Credit	0.6
Community Enterprise Investment Tax Credit	1.3
Riparian Tax Credit	0.1
<b>TOTAL</b>	<b>303.2</b>

## MANITOBA TAX EXPENDITURES, 2007/08

(Millions of Dollars)

### PERSONAL INCOME TAX

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

Contributions to RRSPs	131.6
Contributions to RPPs	69.8
Capital gains inclusion rate	73.7
Lifetime capital gains exemption	22.5
Social assistance, WCB, and OAS/GIS (non-taxable income)	18.9
Union dues and professional fees	14.8
Child-care expenses	10.9
Northern Residents Deduction	5.7
Pension Income Splitting	8.5
Moving expenses	1.6
Scholarship and bursary income exemption	1.8
Tradespeople's tool expense	0.4

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

Basic personal	570.7
CPP/EI	100.2
Charitable donations	69.6
Age	29.6
Tuition fees and education amount (\$400/month)	25.6
Medical expenses	23.6
Spousal	21.7
Eligible dependent	14.1
Private pension	11.7
Disability	11.7
Caregiver	1.6
Student loan interest	0.9
Infirm dependents	0.1

#### (c) Other Manitoba Tax Measures

Tuition Fee Income Tax Rebate	11.5
Children's Fitness Tax Credit	3.0
Adoption Expenses Tax Credit	0.1
Foreign Tax Credit	2.8
Labour-sponsored Venture Capital Corporations Tax Credit	1.2
Mineral Exploration Tax Credit	1.3
Overseas Employment Tax Credit	0.5
Manitoba Equity Tax Credit	0.0

(Millions of Dollars)

**CORPORATION INCOME TAX**

Low rate for small business	137.0
Manufacturing Investment Tax Credit	26.3
Research and Development Tax Credit	20.1
Film and Video Production Tax Credit	18.1
Odour Control Tax Credit	0.1
Co-operative Education Tax Credit	0.2
Green Energy Equipment Tax Credit	0.3

**PAYROLL TAX**

\$1.25 million exemption	124.3
Exemption for interjurisdictional common carriers	12.5

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

Groceries	189.4
Farm machinery and repairs	40.5
Farm and organic fertilizer	20.7
Prescription drugs and medicine	19.0
Farm pesticides and herbicides	15.7
Books, free magazines and newspapers, and school yearbooks	16.4
Medical supplies, appliances and equipment	12.5
Electricity used for manufacturing or mining	11.7
Natural gas for residential heating	11.2
Water supplied by a municipality	10.7
Children's clothing and footwear	9.9
Custom software and computer programming	6.4
Vehicle trade-ins	6.2
Toll-free calls	5.1
Electricity for residential heating	4.6
Vehicle private buy/sell refunds	3.4
Direct Agents - manufacturing and service industries, and drill bits and explosives used in mining industry	2.4
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

(Millions of Dollars)

**FUEL TAX**

Marked gasoline and diesel	41.8
Biodiesel exemption	0.1
Gasohol taxed at lower rate	1.2
Ethanol grant	3.0

**CORPORATION CAPITAL TAX**

Capital deduction	32.3
Credit unions and caisses populaires exemption	15.0
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 31, 2008