



TAX HIGHLIGHTS FROM THE 2020 MANITOBA BUDGET

Finance Minister Scott Fielding tabled the 2020 Manitoba provincial budget on March 19, 2020. The budget projects a deficit of \$220 million for the upcoming 2020-2021 fiscal year and remains on track to table a balanced budget during the current term of government. The forecast deficit for the almost completed 2019-2020 fiscal year now stands at \$325 million compared to a budget projection of \$360 million.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2020. The budget proposed a decrease of the provincial sales tax rate from 7% to 6%, effective July 1, 2020, and also announced changes to certain business tax credits along with several fee reductions.

The following pages are a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2020 budget leaves personal income tax rates unchanged from 2019. Tax brackets and other amounts have been indexed by 2.2% to recognize the impact of inflation. The table below shows Manitoba tax rates and brackets for 2020.

Taxable income range	2020 tax rates
First \$33,389	10.80%
\$33,390 - \$72,164	12.75%
Over \$72,164	17.40%

The table below shows the 2020 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2020 combined tax rates
Regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Non-eligible dividends	46.67%

CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes proposed to corporate income tax rates. The table below shows Manitoba tax rates and the small business limit for 2020.

Category	2020 tax rates
General rate	12%
Manufacturing and processing rate	12%
Investment income rate	12%
Small business rate	0%
Small business limit	\$500,000

The table below shows the 2020 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2020 combined tax rates
Small business income	9.0%
Active income over \$500,000	27.0%
Manufacturing and processing income	27.0%
Investment income	50.7%

Health and post-secondary education tax levy

Effective January 1, 2021, Manitoba will increase the following health and post-secondary education tax levy thresholds:

- employers with an annual payroll of \$1.5 million or less will be exempt (up from the current \$1.25 million exemption threshold);
- employers with an annual payroll between \$1.5 million and \$3 million will pay 4.3% on the amount within this range (up from the current range of \$1.25 million to \$2.5 million); and
- employers with an annual payroll above \$3 million will pay 2.15% of the total payroll (up from the current \$2.5 million threshold).

Film and Video Production Tax Credit

Effective for principal photography that begins after May 31, 2020, a new Manitoba Production Company Bonus of 8% is added to the 30% cost-of-production credit under the Film and Video Production Tax Credit, increasing the total cost-of-production credit up to 38%. The Film and Video Production Tax Credit is a refundable corporation income tax credit, designed to promote the growth of the Manitoba film and video production industry.

Child Care Centre Development Tax Credit

Effective after budget day, a refundable corporate income tax credit will be available to stimulate the creation of licensed childcare centres in workplaces. The tax credit is available for private corporations not primarily engaged in childcare services that create new childcare centres, for a total benefit of \$10,000 per new infant or preschool space created, claimable over five years.

Manufacturing Investment Tax Credit (MITC)

Effective for qualifying property acquired after June 30, 2020, the refundable portion of the MITC is reduced from 7% to 6%. This change does not impact the tax credit on qualified property acquired before June 30, 2020. The 1% non-refundable MITC is not impacted by this change.

The Manufacturing Investment Tax Credit, scheduled to expire on December 31, 2020, is made permanent.



2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 | www.ci.com

Head Office / Toronto
416-364-1145
1-800-268-9374

Calgary
403-205-4396
1-800-776-9027

Montreal
514-875-0090
1-800-268-1602

Vancouver
604-681-3346
1-800-665-6994

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English: 1-800-563-5181
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Mineral Exploration Tax Credit

The Mineral Exploration Tax Credit, scheduled to expire on December 31, 2020, is extended for three years to December 31, 2023. This credit supports Manitobans who invest in flow-through shares of qualifying mineral exploration companies engaged in mineral operations in Manitoba and is equal to 30% of investments in flow-through shares.

Cultural Industries Printing Tax Credit

The Cultural Industries Printing Tax Credit, scheduled to expire on December 31, 2020, is extended for one year to December 31, 2021. This tax credit promotes the growth of Manitoba's printing industry, with a 35% refundable credit on salary and wages paid to Manitoba employees.

Community Enterprise Development Tax Credit

The Community Enterprise Development Tax Credit, scheduled to expire on December 31, 2020, is extended for one year to December 31, 2021. This program supports Manitoba-resident investors to invest in business opportunities in their communities and assist community-based enterprise development projects to raise local equity capital by providing a 45% refundable tax credit on eligible shares.

OTHER PROPOSALS

Retail sales tax

Effective July 1, 2020 the retail sales tax rate will decrease from 7% to 6%.

The following retail sales tax rates will also decrease, effective July 1, 2020:

- The rate on electricity used by qualifying manufacturing, mining and oil well operators will decrease from 1.4% to 1.2%.
- The rate on mixed uses of electricity and natural gas used for home heating, heating and cooling of farm buildings, and operating farm grain dryers, will decrease from 1.4% to 1.2%.
- The rate on mobile, modular and ready-to-move homes will decrease from 4% to 3.5%.
- The prorated vehicle tax rates for commercial trucking will be adjusted for the lower general retail sales tax rate of 6%.

Effective October 1, 2020, the preparation of personal income tax returns will be exempted from retail sales tax. The preparation of Wills became exempt from retail sales tax on January 1, 2020.

Green levy

Effective July 1, 2020, the budget introduces a green levy at a flat rate of \$25 per tonne of carbon dioxide equivalent emissions. It will apply to gas, liquid, and solid fuel products intended for combustion at the following rates:

- Gasoline 5.30¢/L
- Diesel 6.74¢/L
- Natural Gas 4.74¢/m³
- Propane 3.87¢/L

Certain fuel uses will not be subject to the green levy. Exemptions are provided to protect Manitoba sectors and industries that are trade-exposed to jurisdictions that do not have a comparable carbon price, to protect Manitoba's agricultural sector, and to apply the green levy only on emissions occurring in Manitoba. All agricultural process-related emissions and all marked fuels, including marked gasoline and marked diesel, will be exempted from the green levy.



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Vehicle registration fees

Vehicle registration fees will be reduced by 10%, starting with renewals after June 30, 2020. This measure is the first step in the government's commitment to roll back the increase to vehicle registration fees by 30% by 2023.

Probate fees

When an estate of a deceased person requires probating, probate fees are payable on the value of that person's estate. The current probate fee is \$70 on the first \$10,000 value of the estate then \$7 per \$1,000 or a portion of \$1,000 thereafter. Beginning on July 1, 2020, applications made to the Court of Queen's Bench for the probate of an estate of a deceased person, will no longer require the payment of any probate fees.

Tobacco tax

Effective July 1, 2020, the following tobacco tax rates will change:

- cigarettes from 30.0¢ to 30.5¢ each,
- fine cut tobacco from 45.5¢ to 46.0¢ per gram,
- raw leaf tobacco from 27.5¢ to 28.0¢ per gram, and
- other tobacco products from 29.0¢ to 29.5¢ per gram.

These increases ensure the total retail price of tobacco will remain approximately the same once the sales tax rate decreases to 6% on July 1, 2020.

The Optometry Act

Amendments will be made to allow optometrists to provide their professional services through a professional corporation.

Registration of tax rebate discounters

Effective for the 2020 taxation year, the requirement to register with the Province of Manitoba as a tax rebate discounter and the associated registration fee, are eliminated.



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