



HIGHLIGHTS FROM THE MANITOBA BUDGET

Finance Minister Scott Fielding tabled the 2021-2022 Manitoba provincial budget on April 7, 2021.

The budget projects a deficit of \$1.597 billion for 2021-2022, down from the \$2.08 billion deficit forecast for 2020-2021.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2021. The budget announced the introduction of a new teaching expense tax credit, changes to certain business tax credits, retail sales tax measures, along with education property tax rebates, and vehicle registration fee reductions.

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

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2021-2022 budget leaves personal income tax rates unchanged from 2020. Tax brackets and other amounts have been indexed by 1% to recognize the impact of inflation. The table below shows Manitoba tax rates and brackets for 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$33,723	10.8%
\$33,724 – \$72,885	12.75%
Over \$72,885	17.4%

The table below shows the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	50.4%
Capital gains	25.2%
Eligible dividends	37.78%
Non-eligible dividends	46.67%

Teaching Expense Tax Credit

Effective as of the 2021 taxation year, Manitoba will introduce a new tax credit that will apply to purchases of eligible teaching supplies made by educators that are not reimbursed by their employer. The new tax credit will be 15% refundable for up to \$1,000 in supplies (\$150 maximum refund) and will parallel the eligibility criteria of the existing federal Eligible Educator School Supply Tax Credit.

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 2021.

CATEGORY	2021 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 2021 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	9%
Active income over \$500,000	27%
Manufacturing and processing income	27%
Investment income	50.67%

Health and Post-Secondary Education Tax Levy

Effective January 1, 2022, the exemption threshold is raised from \$1.5 million to \$1.75 million of annual remuneration. In addition, the threshold below which employers pay a reduced rate is raised from \$3 million to \$3.5 million.

Interactive Digital Media Tax Credit

Effective as of the 2021 taxation year, the eligible activities for this tax credit will be expanded to allow add-on digital media and content, such as downloadable content, on-going maintenance and updates, and data management and analysis that are complementary to the main product being developed.

Small Business Venture Capital Tax Credit

Effective as of the 2021 taxation year, the maximum eligible investment by an investor increases from \$450,000 to \$500,000. In addition, the maximum tax credit claimable against Manitoba income tax in a given year increases from \$67,500 to \$120,000.

Film and Video Production Tax Credit

The frequent filming bonus is temporarily paused for two years due to the COVID-19 pandemic and the impact of public health orders on production activity. All companies that were eligible for the bonus on March 31, 2020 will have that status remain in effect until March 31, 2022, at which point their frequent filming status resumes. For those production companies that continue to produce, their time period continues as normal so as to not disadvantage them.

As part of the Cost-of-Salaries Tax Credit, Manitoba Producers that produce three or more productions in a two-year period are eligible for a frequent filming bonus of 10%.

Interactive Digital Media Tax Credit

The Interactive Digital Media Tax Credit, scheduled to expire on December 31, 2022, is made permanent. This tax credit provides interactive digital media companies with an up to 40% refundable credit on eligible project costs incurred to develop an interactive digital media product in Manitoba.

Book Publishing Tax Credit

The Book Publishing Tax Credit, scheduled to expire on December 31, 2024, is made permanent. This tax credit provides Manitoba book publishers with a 40% refundable credit on eligible Manitoba labour costs.

Cultural Industries Printing Tax Credit

The Cultural Industries Printing Tax Credit, scheduled to expire on December 31, 2021, is extended for one year to December 31, 2022. This tax credit provides 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, 2021, is extended for one year to December 31, 2022. This tax credit assists community-based enterprise development projects by providing a 45% refundable tax credit on eligible shares to Manitoba resident-investors that invest in business opportunities in their communities.

OTHER INITIATIVES

Education Property Tax Rebate

Manitoba will begin phasing out the education property taxes that are included on annual property tax statements by implementing the Education Property Tax Rebate.

The following Education Property Tax Rebates will be provided to property owners in 2021:

- Owners of residential and farm properties will receive a 25% rebate of the school division special levy and the community revitalization levy payable.
- Owners of other properties (such as commercial, industrial, railway, institutional, pipelines and designated recreational) will receive a 10% rebate of the total of both the school division special levy and the education support levy payable.

Property owners will continue to pay education property taxes but will receive the Education Property Tax Rebate cheque in the same month (or earlier) that municipal property taxes are due. No application will be necessary by property owners as the Education Property Tax Rebate will be automatically sent by the province. Farm property owners will still be required to apply for the Farmland School Tax Rebate.

Retail Sales Tax Measures

- Personal services, including hair services, non-medical skin care and aesthetician services, body modifications and spa services will be exempted from retail sales tax effective December 1, 2021.
- Retail sales tax will apply to audio and video streaming services effective December 1, 2021. Streaming service providers will be required to collect and remit the tax.
- Online marketplaces will be required to collect and remit retail sales tax on the sale of taxable goods sold by third parties on their electronic platforms effective Dec 1, 2021.
- Online accommodation platforms will be required to collect and remit retail sales tax on the booking of taxable accommodations effective December 1, 2021.

Reduction in Vehicle Registration Fees

Vehicle registration fees will be reduced by a further 10% starting with renewals after June 30, 2021. This measure is part of the government's commitment to roll back the increase to vehicle registration fees by 30% by 2023, and follows a 10% reduction in Budget 2020. The vehicle registration fee reduction applies to non-commercial vehicles, including passenger vehicles, trucks, trailers, motorcycles/mopeds, and off-road vehicles.

WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

For more information, we encourage you to speak to your advisor and visit [ci.com](https://www.ci.com)

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