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Tax Alert – Canada

Manitoba budget 2019-20

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Budget 2019 reduces the retail sales tax, continues to reduce the summary deficit, invests in addictions services and focuses on the needs of Manitoba families.”

“It will increase economic output and generate approximately 900 person-years of employment. Labour income, including wages and salaries, will grow by nearly \$50 million per year, and Manitoba’s nominal GDP will increase by approximately \$90 million....”

*Manitoba Finance Minister Scott Fielding
2019-20 budget speech*

On 7 March 2019, Manitoba Finance Minister Scott Fielding tabled the province’s fiscal 2019-20 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$360m for 2019-20.

The following is a brief summary of the key tax measures.

Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates.

Manitoba’s 2019 corporate tax rates are summarized in Table A.



Table A: Corporate tax rates

| | 2019 | |
|------------------------------|--------|-------------------------|
| | MB | Federal and MB combined |
| Small business tax rate*, ** | 0.00% | 9.00% |
| General corporate tax rate | 12.00% | 27.00% |

* The small business rate is based on a 31 December year end.

** The federal small business rate was reduced from 10.00% to 9.00% effective 1 January 2019.

Other business tax measures

The minister proposed the following business tax measures:

Manufacturing investment tax credit

Effective for qualifying property acquired after 30 June 2019, the refundable portion of the credit is reduced from 8% to 7%. The non-refundable portion of 1% remains unchanged.

Business tax credit extensions

The budget has extended the following tax credits:

- ▶ The film and video production tax credit has been announced as permanent with no fixed expiry date.
- ▶ The small business venture capital tax credit has been extended to 31 December 2022.
- ▶ The cultural industries printing tax credit has been extended to 31 December 2020, with an annual maximum tax credit claim of \$1.1m per taxpayer.
- ▶ The book publishing tax credit has been extended to 31 December 2024.

Personal income tax measures

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2019 Manitoba personal tax rates are summarized in Table B.

Table B: 2019 Manitoba personal tax rates

| First bracket rate | Second bracket rate | Third bracket rate |
|--------------------|----------------------|--------------------|
| \$0 to \$32,670 | \$32,671 to \$70,610 | Above \$70,610 |
| 10.80% | 12.75% | 17.40% |

For taxable income in excess of \$95,259, the 2019 combined federal-Manitoba personal income tax rates are outlined in Table C.

Table C: Combined 2019 federal and Manitoba personal tax rates

| Bracket | Ordinary income* | Eligible dividends | Non-eligible dividends |
|------------------------|------------------|--------------------|------------------------|
| \$95,260 to \$147,667 | 43.40% | 28.12% | 38.62% |
| \$147,668 to \$210,371 | 46.40% | 32.26% | 42.07% |
| Above \$210,371 | 50.40% | 37.78 % | 46.67% |

*The rate on capital gains is one-half the ordinary income tax rate.

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

Basic personal amount

- ▶ Effective for the 2019 tax year, the basic personal amount will be increased from \$9,382 to \$9,626, and for the 2020 tax year it will be increased from \$9,626 to \$9,809.

Other tax measures

Retail sales tax rate

- ▶ Effective 1 July 2019, the Manitoba retail sales tax rate is reduced from 8% to 7%.
- ▶ Manitoba retail sales tax will not be applicable to the federal carbon tax scheduled to be imposed on natural gas and coal effective 1 April 2019.

Expanded fuel tax exemption for the forestry industry

Effective 1 June 2019, the exemption will be expanded to include mill site equipment operated for log handling and processing.

Other amendments

Federal tax on split income (TOSI) rules

- ▶ In alignment with the federal-provincial tax collection agreement, significant amendments will be made to parallel the TOSI rules, including for purposes of various non-refundable tax credits. However, various provincial refundable tax credits will not be harmonized with the TOSI rules.

Administrative and technical tax measures

As part of the Manitoba Government's ongoing efforts to increase efficiency and reduce administrative burden, commencing in 2020:

- ▶ With respect to the fuel tax, tobacco tax, and health and post-secondary education tax levy, all businesses will be required to file, remit and pay electronically.
- ▶ For businesses remitting or paying retail sales tax of \$5,000 or more per month, filing, remittances and payment will be required electronically.

Learn more

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