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# Tax Alert – Canada

## Manitoba budget 2020-21

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“Budget 2020 delivers significant tax reductions which, combined with the 2019 tax cuts, are the largest in Manitoba history.”

*Manitoba Minister of Finance Scott Fielding  
2020-21 budget speech*

On 19 March 2020, Manitoba Minister of Finance Scott Fielding tabled the province’s fiscal 2020-21 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$325m for 2019-20 and projects a deficit for the 2020-21 year.

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 or the \$500,000 small-business limit.
- ▶ Manitoba’s 2020 corporate tax rates are summarized in Table A.



**Table A - Corporate tax rates**

	2020	
	Manitoba	Federal and Manitoba combined
Small-business tax rate*	0.00%	9.00%
General corporate tax rate	12.00%	27.00%

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

### **Other business tax measures**

The minister also proposed the following business tax measures:

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

- ▶ Effective after 31 May 2020, a new bonus credit of 8% has been added to the cost-of-production credit, under the Film and Video Production Tax Credit, resulting in a total credit of 38%. Principal photography must begin after the effective date of this measure.

#### **Manufacturing Investment Tax Credit**

- ▶ Effective for qualifying property, which is available for use, acquired after 30 June 2020, the refundable portion of the tax credit is reduced from 7% to 6%, which coincides with the reduction to the Retail Sales Tax (RST).

#### **Child Care Centre Development Tax Credit**

- ▶ Effective after 19 March 2020, there is an increase in child care space limits by 474 spaces combined with the elimination of the daily maximum that can be charged.
- ▶ The tax credit is available for private corporations not primarily engaged in child care services that create new child care centres, for a total benefit of \$10,000 per new infant or preschool space created, claimable over five years.

#### **Extension to various tax credits**

- ▶ The Manufacturing Investment Tax Credit, scheduled to expire 31 December 2020, is now made permanent.
- ▶ The Mineral Exploration Tax Credit, scheduled to expire 31 December 2020, has been extended to 31 December 2023.
- ▶ The Cultural Industries Printing Tax Credit, scheduled to expire 31 December 2020, has been extended to 31 December 2021.
- ▶ The Community Enterprise Development Tax Credit, scheduled to expire 31 December 2020, has been extended to 31 December 2021.

## Personal tax

### Personal income tax rates

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

The 2020 Manitoba personal tax rates are summarized in Table B.

**Table B - Manitoba personal tax rates**

First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$33,389	\$33,390 to \$72,164	Above \$72,164
10.80%	12.75%	17.40%

For taxable income in excess of \$97,069, the 2020 combined federal-Manitoba personal income tax rates are outlined in Table C.

**Table C - Combined federal and Manitoba personal tax rates**

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$97,070 to \$150,473	43.40%	28.12%	38.62%
\$150,474 to \$214,368**	46.62%	32.57%	42.33%
Above \$214,368	50.40%	37.78 %	46.67%

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

\*\*An additional federal basic personal amount may be available for individuals with taxable income below \$214,368. The additional tax credit is \$140 for individuals with taxable income below \$150,474; this additional amount is gradually phased out for individuals with taxable income between \$150,474 and \$214,368, resulting in an additional 0.22% to 0.30% of federal income tax on taxable income in this bracket.

### Personal tax credits

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

#### Basic personal amount

- ▶ Effective for the 2020 tax year, the basic personal amount will be increased from \$9,626 to \$9,838.

### Other tax measures

#### Retail Sales Tax

- ▶ Effective 1 July 2020, the general Manitoba RST rate is reduced from 7% to 6%.

- ▶ RST on professional fees related to the preparation of personal tax returns will be eliminated effective for the 2020 tax year, as RST will not apply to personal tax preparation, effective 1 October 2020.

### **Probate fees**

- ▶ Probate fees will be eliminated as of 1 July 2020.

### **Vehicle registration fees**

- ▶ Vehicle registration fees will be reduced by 10%, for renewals starting 1 July 2020.

### **Health and Post-Secondary Education Tax Levy**

- ▶ Effective 1 January 2021, the Health and Post-Secondary Education Tax Levy will have its annual remuneration exemption threshold increased to \$1.5m, from \$1.25m. Additionally, the annual remuneration amount available for a reduced rate, is increased to \$3.0m, from \$2.5m.

### **Green Levy**

- ▶ Effective 1 July 2020, a flat \$25 per tonne carbon tax levy will be imposed on carbon dioxide equivalent emissions on liquid, gas and solid fuel products intended for combustion. There will be separate output-based pricing systems for large emitters producing over 50k tonnes of carbon dioxide equivalent emissions.

### **Tobacco Tax**

The following tobacco tax rates will change, effective 1 July 1 2020:

- ▶ 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.

## Learn more

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