

2020 Issue No. 16
20 March 2020

Tax Alert – Canada

Manitoba budget 2020-21

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 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

For more information, please contact your EY or EY Law advisor or one of the following professionals:

Jason Burbank

+1 204 933 0240 | jason.a.burbank@ca.ey.com

Joe Ng

+1 204 933 0287 | joe.ng@ca.ey.com

James Jaworsky

+1 204 954 5581 | james.jaworsky@ca.ey.com

And for up-to-date information on the federal, provincial and territorial budgets, visit ey.com/ca/Budget.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY's Tax Services

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit ey.com/ca/tax.

About EY Law LLP

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit eylaw.ca.

About EY Law's Tax Law Services

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2020 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.