

2024 Issue No. 22
3 April 2024

Tax Alert – Canada

Manitoba budget 2024-25

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.

“We’re making smart, targeted investments. We can take steps to fix health care and lower costs, and we can do it while being responsible with public money and charting a path back to balance. That’s what Manitobans can expect from our first budget.”

*Manitoba Finance Minister Adrien Sala
News release for the 2024-25 budget*

On 2 April 2024, Manitoba Finance Minister Adrien Sala tabled the province’s fiscal 2024-25 budget. The budget contains several tax measures affecting individuals and corporations. The budget contains no increases in personal or corporate income tax rates but does introduce a phase-out of the basic personal amount above a certain net income level, beginning in 2025.

The minister anticipates a deficit of \$796 million for 2024-25 and projects deficits for each of the following two years, before returning to a small surplus in 2027-28.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

Manitoba's 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 Manitoba corporate income tax rates¹

	Manitoba	Federal and Manitoba combined
Small-business tax rate ²	0.00%	9.00%
General corporate tax rate ^{2, 3}	12.00%	27.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Manitoba rates above.

³ An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Other business tax measures

The minister also proposed the following business tax measures:

- ▶ **Rental housing construction tax credit** – Introduction of a new rental housing construction tax credit, effective for the 2024 taxation year. A credit of \$8,500 will be available for the construction of new market-rate rental units, and a credit of \$13,500 will be available for units classified as affordable rental units that are maintained as affordable units for at least 10 years. For non-profit organizations, the credit will be fully refundable. For other businesses, \$8,500 will be refundable on all types of units and a further \$5,000 will be available as a non-refundable tax credit in respect of units classified as affordable units, over a period of 10 years.
- ▶ **Data processing investment tax credits** – Elimination of the data processing investment tax credits, effective for the 2025 taxation year.
- ▶ **Cultural industries printing tax credit** – Extension by one year of the cultural industries printing tax credit, which will now expire on 31 December 2025 (instead of expiring on 31 December 2024).

Personal tax

Personal income tax rates

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

The 2024 Manitoba personal income tax rates are summarized in Table B.

Table B - 2024 Manitoba personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$47,000	\$47,001 to \$100,000	Above \$100,000
10.80%	12.75%	17.40%

The budget confirmed that the tax bracket thresholds will return to annual indexing beginning in 2025.

For taxable income in excess of \$111,733, the 2024 combined federal-Manitoba personal income tax rates are outlined in Table C.

Table C - Combined 2024 federal and Manitoba personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$111,734 to \$173,205	43.40%	28.12%	38.62%
\$173,206 to \$246,752 ²	46.72%	32.70%	42.44%
Above \$246,752	50.40%	37.78%	46.67%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

Personal tax credits

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

- ▶ **Basic personal amount** – Beginning in the 2025 taxation year, the basic personal amount (projected to be \$16,206 for 2025) will be phased out for individuals earning net income between \$200,000 and \$400,000, with Manitoba residents earning more than \$400,000 no longer entitled to the basic personal amount.

Other personal tax measures include:

- ▶ **Renters tax credit** – For the 2025 taxation year, the renters tax credit will be increased to a maximum of \$575, and the seniors top-up will be increased to a maximum of \$328.
- ▶ **Fertility treatment tax credit** – For the 2024 taxation year, the maximum annual eligible expense that may be claimed under the fertility treatment tax credit is \$40,000 (increased from \$20,000), resulting in a maximum annual refundable personal income tax credit of \$16,000 (increased from \$8,000).

Retail sales tax measures

The minister made the following retail sales tax announcements:

- ▶ **Sales tax registration threshold** – Effective 1 January 2024, the government will increase the sales tax registration threshold to \$30,000 (from \$10,000) of taxable sales. Businesses with sales below this increased threshold will no longer be required to register and collect sales tax in Manitoba.
- ▶ **Sales tax commissions** – Effective for filing periods ending after April 2024, the province will no longer provide sales tax commissions to businesses reporting less than \$3,000 in sales tax in a filing period.

Other tax measures

School tax-related credits

Beginning in 2025, the new homeowners affordability tax credit of up to \$1,500 will replace the existing school tax rebate and education property tax credit on principal residences. Several other changes are also being made to streamline the current system of school tax credits and rebates, specifically impacting seniors, farm property owners and commercial property owners.

Gas tax

The zero cents per litre gas tax rate (for gasoline, diesel and marked gasoline) implemented on 1 January 2024 that was set to expire on 30 June 2024 will be extended for a further three months, now expiring on 30 September 2024.

Vaping tax

The budget confirms that Manitoba will sign a Coordinated Vaping Product Taxation Agreement with the federal government, under which the federal government will administer and collect excise duty on vaping products and share the resulting revenues with the province. The new vaping tax is expected to begin applying in Manitoba on 1 January 2025.

Administrative tax measures

The budget announced several administrative measures, including the following:

- ▶ **Qualified disability trusts** – Introduction of a recovery tax to negate preferential treatment where trust funds are not going to the intended qualified beneficiary.
- ▶ **Land transfer tax** – Measures allowing administrative penalties to be levied for certain instances of non-compliance, such as providing inaccurate fair market value when registering a land transfer.
- ▶ **Interactive digital media tax credit** – Clarifying changes are introduced to ensure that expenses relating to eligible projects are claimed in the taxation year in which the costs were incurred. Further, a new sub-category of qualifying corporations is established for Manitoba video game companies, which will exempt them from the requirement to apply for a pre-approval Certificate of Eligibility in advance of commencing the project.
- ▶ **Provincially administered tax audit periods** – The tax audit period will be capped at six years from the date of notification, except in the case where tax has been collected and not remitted, or in the case where a person has made a misrepresentation attributable to neglect, carelessness or willful default. A notice of assessment will be required to be issued at the conclusion of any tax audit.
- ▶ **Tax clearance certificate fee and advance ruling fee** – The budget announces that the \$50 tax clearance certificate fee and the advance ruling fee (for provincially administered tax statutes) are eliminated, effective 1 May 2024.

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

Nina Pekach

+1 204 933 0279 | nina.pekach@ca.ey.com

Matthew Lapka

+1 204 954 5541 | matthew.lapka@ca.ey.com

Mark Jing

+1 204 933 0280 | mark.jing@ca.ey.com

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