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# Tax Alert – Canada

## Manitoba budget 2018-19

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 moving in the right direction, on target to spend within our budget for the second year in a row. We’re reducing taxes while investing more in health, in education, in children and in protecting our environment. Our plan is working, and when you have a plan that is succeeding – that’s getting the result you promised – you stick with it.

“Budget 2018 continues on the path toward a stronger, safer and more prosperous future for Manitoba.”

*Manitoba Finance Minister Cameron Friesen  
2018-19 budget speech*

On 12 March 2018, Manitoba Finance Minister Cameron Friesen tabled the province’s fiscal 2018-19 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$521m for 2018-19.

Following is a brief summary of the key tax measures.

### **Business tax measures**

#### **Corporate tax rates**

No changes are proposed to the Manitoba corporate tax rates.

Manitoba’s 2018 and 2019 corporate tax rates are summarized in Table A.



**Table A: Corporate tax rates**

	2018		2019	
	MB	Federal and MB combined	MB	Federal and MB combined
Small-business tax rate*, **	0.00%	10.00%	0.00%	9.00%
General corporate tax rate	12.00%	27.00%	12.00%	27.00%

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

\*\* On 24 October 2017, the federal government tabled a notice of ways and means motion to implement reductions in the small-business corporate income tax rate, which were announced on 16 October 2017. The federal small-business rate is reduced from 10.5% to 10.0% effective 1 January 2018 and will be further reduced to 9.0% effective 1 January 2019.

## Other business tax measures

The minister also proposed the following business tax measures:

### Small-business deduction

- ▶ Effective 1 January 2019, the small-business limit eligible for the small-business deduction will increase from \$450,000 to \$500,000. (Canadian-controlled private corporations that qualify for the small-business deduction pay a 0% rate of Manitoba corporation income tax).

### Child Care Centre Development Tax Credit

- ▶ Effective after budget day, a new refundable corporation income tax credit will be available for private corporations that create new child care centres in workplaces.
- ▶ The total available benefit is \$10,000 per new infant or preschool licensed space established by taxable corporations not engaged primarily in child care services. The credit is refundable and claimable over five years. The credit is available until 2021, and the number of spaces under this new program is limited.

### Small Business Venture Capital Tax Credit

- ▶ Effective 12 March 2018, access to the 45% investment tax credit was enhanced by the elimination of the existing \$15m revenue cap on the size of an eligible issuer corporation, and the minimum amount of investment was lowered from \$20,000 to \$10,000.

### Credit unions and caisses populaires

- ▶ Beginning 1 January 2019, the 1% profits tax will be eliminated. Additionally, the special tax deduction allowing credit unions and caisses populaires to pay a lower rate of tax on a portion of their income is being phased out over five years beginning 1 January 2019. There is no proposed change regarding credit unions having access to the small-business deduction.

## Tax credits proposed for elimination

- ▶ **Rental Housing Construction Tax Credit:** The budget eliminates this tax credit effective 1 January 2019. However, projects that are currently under provincial review or approval are not impacted.
- ▶ **Labour-Sponsored Funds Tax Credit:** The budget eliminates this tax credit effective for shares acquired after 2018.

## Other technical and administrative tax measures

- ▶ **Research and Development Tax Credit:** This credit will be updated to ensure consistency with changes that have been made to the federal Income Tax Act.
- ▶ **Community Enterprise Development Tax Credit:** Regulations will be amended to remove ambiguity respecting Cooperative's access to the program and improve administration.
- ▶ **Chiropractors Act:** Amendments will be made to allow chiropractors to provide their professional services through a professional corporation.

## Extensions to existing tax credits

The budget has extended the following tax credits:

- ▶ The Manitoba Book Publishing Tax Credit has been extended to 31 December 2019.
- ▶ The Cultural Industries Printing Tax Credit has been extended to 31 December 2019.

## Personal tax

### Personal income tax rates

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

The 2018 Manitoba personal tax rates are summarized in Table B.

**Table B: 2018 Manitoba personal tax rates**

First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$31,843	\$31,844 to \$68,821	Above \$68,821
10.80%	12.75%	17.40%

For taxable income in excess of \$93,208, the 2018 combined federal-Manitoba personal income tax rates are outlined in Table C.

**Table C: Combined 2018 federal and Manitoba personal tax rates**

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$93,209 to \$144,489	43.40%	28.12%	37.80%
\$144,490 to \$205,842	46.40%	32.26%	41.28%
Above \$205,842	50.40%	37.78%	45.92%

\*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 \$10,392, and for the 2020 tax year it will be increased from \$10,392 to \$11,402.

### Primary Caregiver Tax Credit

- ▶ Effective as of the budget date, the process for claiming the Primary Caregiver Tax Credit will be simplified through the removal of the complicated paperwork and will instead require eligible caregivers to complete a registration form, submit a copy of the form to Manitoba Finance and claim the credit on the income tax return. All previous Manitoba Health or Families applications from 1 January 2018 to the budget date will be forwarded to Manitoba Finance for processing.
- ▶ Further streamlining measures will be imposed through implementing a flat \$1,400 annual credit, available to all eligible caregivers with no change to the minimum 90-day requirement of care before eligibility commences.

## Other tax measures

### Education Property Tax Credit

- ▶ Effective for 2019, the calculation of the Education Property Tax Credit will be based on school taxes with the \$250 deductible being eliminated. The Seniors' Education Property Tax Credit would also be calculated on the school tax portion.

### Tobacco tax

- ▶ The tobacco tax rate for fine cut tobacco is increased from 28.5 cents per gram to 45 cents per gram effective at midnight, 12 March 2018.

### Carbon tax

- ▶ Beginning on 1 September 2018, Manitoba's carbon tax will impose a \$25 tax per tonne of greenhouse gas emissions and will apply to gas, liquid and solid fuel products intended for combustion in Manitoba. The carbon tax is estimated to generate \$248m in government revenue during the first 12 months.

- ▶ The existing International Fuel Tax Agreement (IFTA) rules for commercial transportation and trucking that prorate fuel-use charges to a jurisdiction will also apply to the carbon tax in Manitoba.
- ▶ Manitoba sector/industry exemptions and certain fuel uses will not be subject to the carbon tax. In summary, some of the main exemptions are in relation to agriculture process emissions, eligible marked fuels, output-based pricing system (OBPS) entities (entities emitting at least 50,000 tonnes of CO<sub>2</sub>-equivalent per year, with smaller emitters able to opt-in, subject to government review and approval), to name a few.

## Learn more

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