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Tax Alert – Canada

Saskatchewan 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.

“Our 2018-19 budget keeps our government’s plan and our province’s finances on track by controlling spending and reducing our reliance on volatile non-renewable resource revenue.

“The budget sets the stage for a new decade of growth by keeping Saskatchewan’s finances and our economy on track.”

*Saskatchewan Finance Minister Donna Harpauer
2018-19 budget speech*

On 10 April 2018, Saskatchewan Finance Minister Donna Harpauer tabled the province’s fiscal 2018-19 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$365 million for 2018-19, and projects surpluses for each of the following three years.

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 \$600,000 small-business limit.



Saskatchewan's 2018 and 2019 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2018		2019	
	SK	Federal and SK combined	SK	Federal and SK combined
Small-business tax rate*, **, ***	2.00%	12.00% (up to \$500k) 17.00% (\$500k - \$600k)	2.00%	11.00% (up to \$500k) 16.00% (\$500k-\$600k)
General manufacturing and processing tax rate	10.00%	25.00%	10.00%	25.00%
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.

*** The federal small-business limit is \$500,000. Saskatchewan increased its small-business limit to \$600,000, effective 1 January, 2018.

Other business tax measures

The minister also proposed the following business tax measures:

- ▶ The Saskatchewan Value-added Agriculture Incentive (SVAI) is introduced for companies that are involved in value-added agricultural activities that upgrade or transform raw or primary agricultural products into new or upgraded products. Companies will be able to receive a non-refundable tax credit on Saskatchewan income taxes equal to 15 % of qualifying new capital expenditures in relation to these agricultural activities. Capital expenditures must be related to new or expanded productive capacity and must be at least \$10 million. Both new and existing value-added agriculture facilities are eligible. The total amount of the 15% tax credit will be limited to a 20% rebate in the first year after the facility begins operations, a 30% rebate in year two and a 50% rebate in year three. Unused amounts can be carried forward up to 10 years. This program will sunset after 31 December 2022.
- ▶ The Saskatchewan Technology Start-up Incentive (STSI) is introduced, which will provide investors with a non-refundable tax credit of 45 % on qualifying new investments which are made in eligible small businesses. Eligible small businesses are early-stage technology start-ups that are incorporated and headquartered in Saskatchewan, have the majority of their staff and operations located in Saskatchewan, have fewer than 50 employees and are developing new technologies or applying existing technologies in a new way to create proprietary new products, services or processes that are repeatable and scalable. A maximum of \$140,000 in tax benefits per year may be claimed per investor, and unused amounts may be carried forward four years after the investment is made. This incentive is a 2½ year pilot program and will be re-evaluated after that time.

Personal tax

Personal income tax rates

The minister proposes to freeze the personal income tax rates at the current 2018 rate. Previously announced reductions in personal income tax rates for 2019 will not proceed. Personal income tax rates are outlined in Table B:

Table B: 2018 and 2019 Saskatchewan personal income tax rates

Bracket	2018	2019 rates	
		Pre-budget rates	Proposed rates
\$0 to \$45,225	10.50%	10.50%	10.50%
\$45,226 to \$129,214	12.50%	12.50%	12.50%
Above \$129,214	14.50%	14.50%	14.50%

For taxable income in excess of \$129,214, the 2018 and 2019 combined federal-Saskatchewan personal income tax rates are outlined in Table C. These rates reflect the proposed change to the dividend tax credit rate for non-eligible dividends described below.

Table C: Combined 2018 and 2019 federal and Saskatchewan personal income tax rates

Bracket**	2018 and 2019 ordinary income* , **	2018 and 2019 eligible dividends**	Pre-budget 2018 non-eligible dividends	Post-budget 2018 non-eligible dividends	Post-budget 2019 non-eligible dividends**
\$129,215 to \$144,489	40.50%	19.98%	31.64%	31.47%	32.32%
\$144,490 to \$205,842	43.50 %	24.12 %	35.12 %	34.95%	35.77%
Above \$205,842	47.50 %	29.64 %	39.76 %	39.59%	40.37%

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

**Assumes no change to the indexation of brackets and that no subsequent changes are made to the 2019 personal income tax income rates.

Personal tax credits

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

- ▶ The provincial dividend tax credit will be adjusted in 2018 and 2019 to offset the federal income tax changes. The dividend tax credit rate on non-eligible dividends will be 3.333% for 2018 and 3.362% for 2019.
- ▶ Saskatchewan will continue to offer the existing Infirm Dependant Tax Credit and the Caregiver Tax Credit. Saskatchewan will not follow the federal government in consolidating caregiver tax credits.

Provincial sales tax

- ▶ Effective 11 April 2018, the PST exemption for used light vehicles will be eliminated. On the private sale of a vehicle, PST will not apply on a purchase price of up to \$5,000. PST will not be applicable on vehicles that are gifted between qualifying family members.
- ▶ Effective 11 April, 2018, PST will only be paid on the difference between the selling price of a vehicle and the value of the trade-in, if applicable.
- ▶ Effective 11 April 2018, the PST exemption on ENERGY STAR appliances is eliminated.
- ▶ PST will apply to all retail sales of cannabis products in Saskatchewan.

Other tax measures

Cannabis taxation

Saskatchewan intends to follow the cannabis taxation approach as agreed to by the Canadian finance ministers in December 2017.

Learn more

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