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# Tax Alert – Canada

## Manitoba budget 2025-26

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.

"I am delivering this budget at a pivotal moment in our great nation's history.

Canada's strongest partnership is being tested like never before.

This is a difficult challenge for Manitoba, for Canada. But it is also a moment of great opportunity."

*Manitoba Finance Minister Adrien Sala  
2025-26 budget speech*

On 20 March 2025, Manitoba Finance Minister Adrien Sala tabled the province's fiscal 2025-26 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$794 million for 2025-26 and projects a deficit for 2026-27 followed by a small surplus for 2027-28.

Following is a brief summary of the key tax measures.



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## 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 2025 corporate income tax rates are summarized in Table A.

**Table A - 2025 Manitoba corporate income tax rates<sup>1</sup>**

	Manitoba	Federal and Manitoba combined
Small-business tax rate <sup>2</sup>	0.00%	9.00%
General corporate tax rate <sup>2, 3</sup>	12.00%	27.00%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> 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.

<sup>3</sup> 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:

- ▶ **Health and post secondary education tax levy** – Effective 1 January 2026, the threshold for the payroll tax exemption is increased to \$2.5 million (from \$2.25 million) of annual remuneration. The upper limit for the application of a reduced effective rate is also increased to \$5 million (from \$4.5 million) of annual remuneration.
- ▶ **Cultural industries printing tax credit** – The budget confirms that this refundable tax credit is to be made permanent.

## Personal tax

### Personal income tax rates

The budget does not include any changes to personal income tax rates. However, the budget proposes to freeze indexation to inflation of the basic personal amount and the tax bracket thresholds, beginning in 2025. As such, the basic personal amount for 2025 will be \$15,780.

The proposed tax bracket thresholds for 2025 are outlined in Table B.

**Table B - 2025 Manitoba personal income tax rates**

Current		Proposed	
Bracket	Income tax rate	Bracket	Income tax rate
\$0 to \$47,564	10.80%	\$0 to \$47,000	10.80%
\$47,565 to \$101,200	12.75%	\$47,001 to \$100,000	12.75%
Above \$101,200	17.40%	Above \$100,000	17.40%

For taxable income in excess of \$200,000, the 2025 combined federal-Manitoba personal income tax rates are outlined in Table C.

**Table C - Combined 2025 federal and Manitoba personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$200,001 to \$253,414 <sup>2,3</sup>	47.57%	33.88%	43.42%
\$253,415 to \$400,000 <sup>3</sup>	51.25%	38.96%	47.65%
Above \$400,000	50.40%	37.78%	46.67%

<sup>1</sup> The rate on capital gains is one-half the ordinary income tax rate.

<sup>2</sup> The federal basic personal amount comprises two elements: the base amount (\$14,538 for 2025) and an additional amount (\$1,591 for 2025). The additional amount is reduced for individuals with net income in excess of \$177,882 and is fully eliminated for individuals with net income in excess of \$253,414. Consequently, the additional amount is clawed back on net income in excess of \$177,882 until the additional tax credit of \$239 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$177,883 and \$253,414.

<sup>3</sup> The full Manitoba basic personal amount is available for individuals with net income below \$200,000. The basic personal amount is gradually reduced for individuals with net income in excess of \$200,000 and is fully eliminated for individuals with net income of \$400,000 or more. Consequently, the amount is clawed back on net income in excess of \$200,000 until the tax credit of \$1,704 is eliminated; this results in additional provincial income tax (e.g., 0.85% on ordinary income) on net income between \$200,001 and \$400,000.

## Personal tax credits

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

- ▶ **Renters affordability tax credit** – For the 2026 taxation year, the renters affordability tax credit will be increased to a maximum amount of \$625. The seniors' top-up amount will also increase to a maximum amount of \$357. The Manitoba government intends to make further increases in future years until the credit reaches \$700 and the seniors' top-up reaches \$400.
- ▶ **Volunteer firefighter and search and rescue amount** – Budget 2025 announces the doubling of this amount to \$6,000, resulting in a maximum non-refundable credit of \$648 for the 2025 taxation year.

## Retail sales tax measures

The budget proposes to apply retail sales tax to various cloud computing services, effective 1 January 2026. Examples of proposed in-scope services include software subscriptions, data storage services and remote computer processing services.

## Other tax measures

### School tax-related credits

The homeowners affordability tax credit is increased to a maximum amount of \$1,600 (from \$1,500) for the 2026 property tax year.

## Administrative tax measures

The budget announced several administrative measures, including the following:

- ▶ **Mining tax** – Technical changes to the *Mining Tax Act*, including removing the requirement for the Minister of Finance to designate a new mine or major expansion and removing the 0.5% special tax rate on the profit of all mining operators.
- ▶ **Corporation capital tax** – Effective for fiscal years beginning on or after 1 April 2025, removal of the requirement for Crown corporations to pay corporation capital tax.
- ▶ **Retail sales tax and tobacco tax** – Introduction of an online system allowing taxpayers to check that a business is registered for retail sales tax. This system is also being developed for tobacco tax.
- ▶ **Land transfer tax** – Review of the land transfer tax system to prevent tax avoidance using legal structures that separate legal and beneficial ownership of property.
- ▶ **Tobacco band assessment agreements** – The tobacco band assessment agreements are being updated to a 10-year duration (from five years) and to reduce the administrative fee from 1.0% to 0.25%.
- ▶ **Income tax** – Changes to the *Income Tax Act* to make trusts ineligible for the family tax benefit.

## Learn more

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