

## TAXATION CHANGES – 2005 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on March 8, 2005.

### PERSONAL INCOME TAX

<b>Middle Bracket Tax Rate reduced</b>	The middle bracket rate is reduced from 14.0% to 13.5% for the 2006 taxation year.
<b>Basic Personal Amount Tax Credit increased</b>	The basic personal amount tax credit increases by \$100 to \$7,734 for the 2006 taxation year.
<b>Community Enterprise Development Tax Credit extended</b>	The Community Enterprise Development Tax Credit encourages Manitobans to invest in their communities and provides community-based enterprises with the means to raise necessary equity capital. The credit is equal to 30% of the eligible investment up to a maximum investment of \$30,000. The qualifying period is extended to December 31, 2008.
<b>Manitoba Equity Tax Credit extended</b>	The Manitoba Equity Tax Credit assists in the development of capital markets in Manitoba and encourages Manitobans to invest in Manitoba companies. The credit is equal to 15% of the eligible investment and is earned on a pro-rata basis over a three-year period. The maximum credit per year is \$1,500. The eligibility period for companies to issue qualifying shares is extended to June 30, 2008.
<b>Political Contribution Tax Credit increased</b>	For eligible political contributions made in 2005 and subsequent years, an individual may claim a tax credit equal to 75% of the first \$400, double the previous threshold of \$200. Contributions above \$400 and up to \$750 are eligible for a 50% credit, and contributions above \$750 are eligible for a 33.33% credit. The maximum credit an individual can claim increases from \$500 to \$650.

**Further information on personal income tax rate reductions or other non-refundable tax credit amounts may be obtained from Manitoba Finance – Tax Assistance Office:**

809 – 386 Broadway  
Winnipeg, Manitoba R3C 3R6  
Telephone (204) 948-2115 in Winnipeg  
Manitoba Toll Free 1-800-782-0771  
Fax (204) 948-2263  
E-mail [TAO@gov.mb.ca](mailto:TAO@gov.mb.ca)

**EDUCATION SUPPORT LEVY**

**Mill Rate reduced** The Education Support Levy is a province-wide property tax based levy used to support Kindergarten to Senior 4 education. Provincially, the 2005 property tax statement will reflect a reduction in the mill rate for residential property from 4.56 mills to 2.42 mills. The new rate may be slightly different for the City of Winnipeg.

**Further information on the Education Support Levy may be obtained from Manitoba Education, Citizenship and Youth – Schools' Finance Branch:**

511-1181 Portage Avenue  
Winnipeg, Manitoba R3G 0T3  
Telephone (204) 945-6910  
Fax (204) 948-2000  
E-mail [SFB@gov.mb.ca](mailto:SFB@gov.mb.ca)

**CORPORATION INCOME TAX**

**General Corporate Tax Rate reduced** Effective July 1, 2006 the general corporate rate is reduced from 15.0% to 14.5%. Effective July 1, 2007 the rate is further reduced to 14.0%.

**Small Business Tax Rate reduced** Effective January 1, 2006 the small business rate is reduced from 5.0% to 4.5%. Effective January 1, 2007 the rate is further reduced to 4.0%.

**Research And Development Tax Credit increased** The 15% Research and Development Tax Credit supports investment in innovation. Effective for eligible expenditures made after March 8, 2005, the credit increases by one-third to 20%.

**Manufacturing Investment Tax Credit enhanced** The 10% Manufacturing Investment Tax Credit supports investment in plant upgrading and capacity expansion. Effective for eligible expenditures made after March 8, 2005, one-fifth of the earned credit is refundable.

The eligibility for the Manufacturing Investment Tax Credit is broadened to include used buildings, machinery and equipment as qualifying property effective after March 8, 2005.

**Co-Operative Education Tax Credit extended** The 10% Co-operative Education Tax Credit encourages employers in Manitoba to provide work placements to co-op students in post-secondary institutions. The eligibility period is extended to December 31, 2008.

**Further information on Corporate Income Tax Rates, the Research and Development Tax Credit, the Manufacturing Investment Tax Credit and the Co-operative Education Tax Credit may be obtained from Manitoba Finance – Federal-Provincial Relations and Research Division:**

910 - 386 Broadway  
Winnipeg, Manitoba R3C 3R6  
Telephone (204) 945-3757  
Fax (204) 945-5051  
E-mail [fedprov@gov.mb.ca](mailto:fedprov@gov.mb.ca)  
Web Site [www.gov.mb.ca/finance/fedprov](http://www.gov.mb.ca/finance/fedprov)

**PROPERTY AND SCHOOL TAXES****Riparian Tax Credit – new intake**

The Riparian Tax Credit promotes environmentally sound management of lakeshores and of river and stream banks in agricultural areas. Since inception of the credit in 2003, about 90 kilometres of water's edge have been protected. In the third intake during 2004/05, benefits were significantly increased and the term of the commitment was lengthened from three years to five. A fourth intake of applications for this program allows agricultural operators to apply during 2005/06 to receive tax credit benefits during calendar years 2006 through 2010. To qualify, an operator must commit to maintain specific management practices on designated riparian land throughout those years. Riparian land enrolled during the 2002/03 intake becomes eligible for re-enrollment for the increased benefits and extended term of the 2005/06 intake.

**Farmland School Tax Rebate increased**

The Farmland School Tax Rebate introduced in 2004 provided a 33% rebate of the school division special levy on farmland. In 2005 the rebate increases to 50%.

**Further information on the Riparian Tax Credit and Farmland School Tax Rebate may be obtained from Manitoba Finance – Tax Assistance Office:**

809 - 386 Broadway  
Winnipeg, Manitoba R3C 3R6  
Telephone (204) 948-2115  
Manitoba Toll Free 1-800-782-0771  
Fax (204) 948-2263  
E-mail [TAO@gov.mb.ca](mailto:TAO@gov.mb.ca)

**FILM AND VIDEO PRODUCTION TAX CREDIT**

The Film and Video Production Tax Credit encourages companies to produce films and videos in Manitoba.

**Credit rate increased**

The credit is increased from 35% to 45% effective for productions that commence principal photography after March 8, 2005.

**Rural and Northern Incentive enhanced**

The boundary for the 5% rural and northern incentive is reduced from 40 kilometres to 35 kilometers from Winnipeg. The boundary revision applies to productions that commence principal photography after April 19, 2004.

**Period of eligibility expanded**

The start of the period of eligibility for salaries shifts from the "final script stage" to the "production commencement time". The expanded period of eligibility applies to a production that commences principal photography after March 8, 2005. If development commenced before March 9, 2005 and eligible salaries were incurred by the company in its taxation year that includes March 9, 2005, the new rule will apply.

**Frequent Filming Incentive enhanced** Serial productions and producers are now recognized under the Frequent Filming Incentive. A production is eligible where principal photography for the third production commenced after April 19, 2004 and principal photography on the two previous eligible films was not substantially complete before April 20, 2003.

**Further information on the Film and Video Production Tax Credit may be obtained from Manitoba Film and Sound Recording Development Corporation:**

410 – 93 Lombard Avenue  
Winnipeg, Manitoba R3B 3B1  
Telephone (204) 947-2040  
Fax (204) 956-5261  
E-mail [explore@mbfilmsound.mb.ca](mailto:explore@mbfilmsound.mb.ca)

### **RETAIL SALES TAX**

**Exemption for manure slurry tanks and lagoon liners extended** The exemption for manure slurry tanks and lagoon liners that are purchased for use in farm livestock operations is extended to June 30, 2007.

**Exemption for free distribution magazines** Effective April 1, 2005 magazines that are provided to the public at no charge are exempt from sales tax. This exemption relates to the sales tax on the cost to print the magazine when printed externally, or the sales tax pertaining to the purchase of direct materials such as paper and ink when printed internally. Publishers of free distribution magazines will use their RST number to receive the exemption on the printing of their magazines or their purchase of direct materials.

**Further information on retail sales tax may be obtained from Manitoba Finance – Taxation Division:**

**Winnipeg Office**  
101 - 401 York Avenue  
Winnipeg, Manitoba R3C 0P8  
Telephone (204) 945-5603  
Manitoba Toll Free 1-800-782-0318  
Fax (204) 948-2087  
E-mail [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)  
Web Site [www.gov.mb.ca/finance/taxation](http://www.gov.mb.ca/finance/taxation)

**Westman Regional Office**  
349, 340 - 9th Street  
Brandon, Manitoba R7A 6C2  
Fax (204) 726-6763

For specific wording of the law, please refer to the applicable act and regulations, which can be viewed on the Statutory Publications web site at <http://www.gov.mb.ca/chc/statpub/>.