

Budget Paper C

TAXATION ADJUSTMENTS

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TAXATION ADJUSTMENTS

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■ SUMMARY OF 2013 TAX MEASURES

A negative amount represents a tax reduction.

	2013/14	Full Year
	(Millions of Dollars)	
Ongoing Reductions¹		
Personal Tax reductions	-25.0	-41.3
Business Tax reductions	-4.8	-11.8
	-29.8	-53.1
Personal Measures		
Seniors' School Tax Rebate introduced	-6.5	-50.0
Dividend Tax Credit changed	-	-
	-6.5	-50.0
Health and Environmental Measures		
Tobacco Tax increased	16.4	17.2
Natural Gas Fuel Tax introduced	-	-
Odour Control Tax Credit enhanced	-	-
	16.4	17.2
Business and Farm Measures		
Data Processing Investment Tax Credit enhanced	-1.0	-1.0
Rental Housing Construction Tax Credit introduced	-1.4	-4.4
Research and Development Tax Credit changed	-0.2	-0.3
Manufacturing Investment Tax Credit enhanced	-2.0	-2.7
Small Business Income Limit increased	-1.1	-4.4
Film and Video Production Tax Credit extended	-	-19.0
Interactive Digital Media Tax Credit extended and enhanced	-0.3	-1.2
Small Business Venture Capital Tax Credit extended	-	-1.4
Farmland School Tax Rebate changed	6.2	6.2
Corporation Capital Tax on Financial Institutions changed	15.7	12.5
	15.9	-15.7
Sales Tax Measures		
Sales Tax Rate changed	198.5	277.6
Exemptions introduced	-2.9	-3.8
Technical and Administrative Amendments	-	-
Total Changes, 2013 Budget	221.4	225.3
Total Changes, including Ongoing Tax Reductions	191.6	172.2

¹ Tax reductions previously announced that take effect after 2012:

- increased seniors' Education Property Tax Credit
- increased basic personal amount, spousal amount and eligible dependent amount
- increased take-up in Tuition Fee Income Tax Rebate
- increased take-up and expansion in the Co-op Education and Apprenticeship Tax Credits

For a comprehensive listing of the 2012/13 value of tax expenditures, please see pages C20 to C22.

■ PERSONAL MEASURES

Seniors' School Tax Rebate

(2013/14 expenditure impact: +\$6.5 million)

Budget 2013 re-affirms the Manitoba government's commitment to eliminate the school division special levy paid by eligible senior homeowners on qualifying residential properties.

In 2014, one-half of the estimated total savings will be delivered to seniors. Additional details on eligible seniors, qualifying residences and other parameters will be made available in the near future.

The estimated full-year tax savings to seniors is \$50.0 million in 2015.

For more information, please contact Location B, page C10.

Dividend Tax Credit

(2013/14 revenue impact: not applicable)

As a fair taxation measure, the 2013 federal budget announced that the gross-up on non-eligible dividends distributed by Canadian-controlled private corporations is being reduced from 25% to 18% commencing in 2014. This means an adjustment to Manitoba's 1.75% Dividend Tax Credit on non-eligible dividends is required to maintain integration.

The 1.75% Dividend Tax Credit will be adjusted to 0.83% starting in 2014.

The change to the Dividend Tax Credit rate effectively offsets the federal changes to the dividend gross-up.

For more information, please contact Location A, page C10.

■ HEALTH AND ENVIRONMENTAL MEASURES

Tobacco Tax

(2013/14 revenue impact: +\$16.4 million)

The Tobacco Tax rate is changed effective midnight, April 16, 2013. The rate per cigarette will change from 25.0¢ to 29.0¢; on fine-cut tobacco will change from 24.0¢ to 28.0¢ per gram; and on raw leaf tobacco will change from 22.5¢ to 26.5¢ per gram.

The estimated additional full-year revenue is \$17.2 million.

For more information, please contact Location C, page C10.

Natural Gas Fuel Tax

(2013/14 revenue impact: negligible)

Natural gas is now being used in motor vehicles in Manitoba. Without any change, a per litre tax rate would be inappropriate relative to the energy produced by volume.

A fuel tax rate for natural gas used in motor vehicles will be phased in as follows: 3¢ per cubic metre for sales after April 16, 2013 until March 31, 2014; 6¢ per cubic metre from April 1, 2014 to March 31, 2015; and 10¢ per cubic metre after March 31, 2015.

The estimated full-year revenue is negligible.

For more information, please contact Location C, page C10.

Odour Control Tax Credit

(2013/14 revenue impact: negligible)

Budget 2013 expands the credit, making it fully refundable to agricultural producers, including individual farmers, on qualifying property acquired after 2012.

The Odour Control Tax Credit was established in 2004 to provide a 10% non-refundable corporate income tax credit for businesses that invest in capital property for the purpose of preventing, eliminating or significantly reducing nuisance odours arising from the use or production of organic waste. The 10% credit was made refundable for agricultural producers, based on income tax and property tax on farmland paid by the farmer. This cap is now eliminated.

The estimated full-year tax savings for agricultural producers is negligible.

For more information, please contact Location A, page C10.

■ BUSINESS AND FARM MEASURES

Data Processing Investment Tax Credit

(2013/14 revenue impact: -\$1.0 million)

The Data Processing Investment Tax Credit introduced in Budget 2012 is broadened to include companies that are not engaged primarily in data processing in Manitoba but that make a significant incremental investment in data processing equipment in Manitoba.

A taxable Canadian corporation with a permanent establishment in Manitoba that acquires at least \$10 million of incremental eligible data processing equipment in a taxation year will qualify for an 8% refundable investment tax credit. Eligible property includes Class 46 and Class 50 data processing equipment purchased, leased and made available for use in Manitoba after April 16, 2013 and before 2016.

Commensurate with the change in the sales tax rate from 7% to 8%, the refundable Data Processing Investment Tax Credit available to corporations that are primarily engaged in data processing in Manitoba will increase from 7% to 8% on “data processing centre equipment” and from 4% to 4.5% on “data processing buildings.”

The tax credit effectively offsets Manitoba sales tax on data processing equipment and buildings.

The estimated additional full-year tax savings for companies is \$1.0 million.

For more information, please contact Location E, page C10.

Rental Housing Construction Tax Credit

(2013/14 revenue impact: -\$1.4 million)

A new tax credit is introduced, equal to 8% of the capital cost of new rental housing construction in Manitoba. The tax credit will stimulate the construction of rental housing and increase the quantity of affordable rental housing units. Eligible landlords must be residents of Manitoba or have a permanent establishment in Manitoba, and can operate on either a for-profit or not-for-profit basis, including rental housing co-operatives.

Eligible projects include the construction of five or more new residential rental units. New rental units include existing non-residential properties being converted into residential units, in which case capital costs related to the acquisition and conversion of the property are eligible for the credit. The maximum credit is set at \$12,000 per eligible rental unit. At least 10% of the units on an eligible project must be affordable housing units for the unit type.

The tax credit is earned on a project when it becomes available for rental and the affordable housing criteria are met. Eligible not-for-profit projects will receive a fully refundable tax credit in the year in which the tax credit is earned, as qualifying units are rented. The tax credit on for-profit projects will be non-refundable, claimable over a minimum of five years, and capped annually by the amount of Manitoba income tax payable by the landlord. The tax credit will be claimable by filing an income tax return with the Canada Revenue Agency.

For-profit and not-for-profit landlords will be required to file an annual attestation for five years identifying the affordable units, the monthly rents assessed on those units as well as identifying the total new rental units constructed.

The credit is intended to offset Manitoba sales tax payable by landlords on new rental housing construction.

The estimated full-year tax savings for landlords is \$4.4 million.

For more information, please contact Location G, page C10.

Research and Development Tax Credit

(2013/14 revenue impact: -\$0.2 million)

The Manitoba Research and Development Tax Credit is being amended to, in part, parallel the federal Scientific Research and Experimental Development Tax Credit changes.

The federal budget removed capital expenditures from the federal investment tax credit base, but Manitoba is not adjusting its tax credit for this change. In addition, contract payments to eligible institutes will remain fully eligible for the Manitoba tax credit.

The 2012 federal budget also announced that the Scientific Research and Experimental Development Tax Credit will be adjusted to reduce the 65% prescribed proxy amount – which recognizes overhead costs attributable to eligible projects – from 65% to 60% of direct labour costs in 2013 and to 55% starting in 2014. In addition, contract payments will be 80% claimable instead of fully claimable, so that tax credits will no longer include the profit element under the contract fees. The Manitoba Research and Development Tax Credit will reflect these changes.

The estimated additional full-year tax savings is \$0.3 million.

For more information, please contact Location A, page C10.

Manufacturing Investment Tax Credit

(2013/14 revenue impact: -\$2.0 million)

Commensurate with the change in the sales tax rate from 7% to 8%, the refundable portion of the 10% Manufacturing Investment Tax Credit will increase from seven-tenths refundable to eight-tenths refundable commencing on qualified property acquired after June 30, 2013.

The credit is intended to offset Manitoba sales tax payable by manufacturers.

The estimated additional full-year tax savings for manufacturers is \$2.7 million.

For more information, please contact Location A, page C10.

Small Business Income Limit

(2013/14 revenue impact: -\$1.1 million)

Canadian-controlled private corporations that qualify for the small business deduction pay a 0% rate of Manitoba Corporation Income Tax.

This Budget increases Manitoba's small business income limit eligible for the small business deduction from \$400,000 to \$425,000 on January 1, 2014.

The estimated additional full-year savings for corporations is \$4.4 million.

For more information, please contact Location A, page C10.

Film and Video Production Tax Credit

(2013/14 expenditure impact: not applicable)

The Manitoba Film and Video Production Tax Credit, which was set to expire March 1, 2014, is extended to December 31, 2016.

This refundable corporation income tax credit is attributable to companies that develop and produce eligible film and video projects in Manitoba. The tax credit is equal to 45% of the remuneration paid to Manitobans on eligible projects, with a 10% frequent filming bonus, 5% Manitoba producer bonus, and 5% rural and northern bonus on eligible salaries. A film that meets all program criteria will earn a 65% credit on eligible salaries.

Since 2010, production companies are able to elect to claim the film tax credit based either on eligible labour costs (described above), or at a 30% rate based on production costs incurred and paid, for labour, goods and services provided in Manitoba that are directly attributable to the production of an eligible film.

The estimated full-year tax savings for film and video producers in 2013/14 is \$19.0 million.

For more information, please contact Location D, page C10.

Interactive Digital Media Tax Credit

(2013/14 expenditure impact: +\$0.3 million)

The Interactive Digital Media Tax Credit, which was set to expire December 31, 2013, is extended to December 31, 2016.

The tax credit is equal to 40% of qualifying labour costs related to the production of eligible interactive digital media projects. The maximum tax credit for a project is \$500,000.

For projects that have been issued an eligibility certificate by Manitoba Innovation, Energy and Mines after 2011, and that commence production after 2012, the following four enhancements will be made:

- companies may claim up to \$100,000 in eligible marketing and distribution expenses that are directly attributable to that eligible project;
- financial support from the Canada Media Fund that is recoupable or repayable will not be treated as "government assistance;"
- an eligible product that is developed under contract for an arm's-length purchaser does not need to demonstrate the product will be resold or licensed by that arm's-length purchaser; and

- a broader interpretation of the sale requirement will provide the province with added flexibility in determining which types of commercialization projects will be eligible.

The estimated additional full-year tax savings of the enhancements is \$0.5 million.

The estimated full-year tax savings for digital media producers in 2013/14 is \$1.2 million.

For more information, please contact Location E, page C10.

Small Business Venture Capital Tax Credit

(2013/14 revenue impact: not applicable)

The Small Business Venture Capital Tax Credit, which was set to expire December 31, 2013, is extended to December 31, 2016.

The Small Business Venture Capital Tax Credit is a non-refundable, 30% income tax credit for investors who acquire equity capital in emerging enterprises that require larger amounts of capital than community ownership can provide. Corporate and individual investors qualify for this credit. The maximum credit that an investor can earn in a year is \$135,000. The maximum amount of the tax credit deductible against Manitoba income tax is \$45,000 per tax year. Any credits earned, but unused in a given year, are available to be carried forward for up to 10 years and carried back up to three years.

The estimated full-year tax savings for Manitoba investors is \$1.4 million.

For more information, please contact Location F, page C10.

Farmland School Tax Rebate

(2013/14 expenditure impact: -\$6.2 million)

The Farmland School Tax Rebate will be targeted more effectively in keeping with other government programs in general.

- Commencing with the 2013 property tax year, the rebate will be available only to eligible farmland owners who are Manitoba residents.
- The rebate will be capped at \$5,000 commencing with the 2013 property tax year.
- Starting with the 2013 property tax year, applications for a rebate for a given tax year must be filed no later than March 31 of the following year. Applications related to the 2011 and 2012 property tax years have until March 31, 2014 to apply for the rebate for those years.

The estimated full-year cost reduction for these measures is \$6.2 million.

For more information, please contact Location H, page C10.

Corporation Capital Tax on Financial Institutions

(2013/14 revenue impact: +\$15.7 million)

The Corporation Capital Tax on Financial Institutions is changed from 4% to 5%, commencing for taxation years ending after April 16, 2013.

The estimated full-year additional revenue impact is \$12.5 million.

For more information, please contact Location C, page C10.

■ SALES TAX MEASURES

Sales Tax Rate

(2013/14 revenue impact: +\$198.5 million)

The general sales tax rate will change from 7% to 8%, starting July 1, 2013. The average impact on a household is estimated at \$25 per month. The rate is third lowest among provinces and the base is not harmonized with the federal GST.

For additional details on goods and services subject to GST and HST, but not taxable under Manitoba sales tax, see page C9.

The estimated full-year revenue impact is \$277.6 million.

For more information, please contact Location C, page C10.

Exemptions

(2013/14 revenue impact: -\$2.9 million)

The following exemptions will be applied effective July 1, 2013 to:

- child safety restraint systems, such as car seats and booster seats;
- baby supplies, including diapers, strollers, cribs, gates, monitors, and items used for nursing, feeding or bathing; and
- bicycle helmets (both children and adults).

The sales tax exemption for qualifying sand and salt mixtures purchased by municipalities will be expanded.

The estimated full-year tax savings for consumers is \$3.8 million.

For more information, please contact Location C, page C10.

■ TECHNICAL AND ADMINISTRATIVE AMENDMENTS

(2013/14 revenue impact: not applicable)

Technical amendments will be made to the Manufacturing Investment Tax Credit, and the Research and Development Tax Credit to ensure they operate as intended, particularly where a corporation elects to renounce tax credits.

For more information, please contact Location A, page C10.

To reduce the administration requirements for retail fuel dealers, a fuel tax license will no longer be required.

Enforcement and collection measures under *The Tax Administration and Miscellaneous Taxes Act* will be enhanced.

For more information, please contact Location C, page C10.

Land Transfer Tax will be amended to provide the Registrar-General authority to:

- exempt property subject to Retail Sales Tax from Land Transfer Tax;
- provide tax relief for court ordered rescissions, or mutually agreed-upon sales reversals;
- issue an assessment notice under General Anti-Avoidance Rules where the conveyance of title is registered in order to reduce or eliminate tax in a manner that is an avoidance transaction; and
- exempt a statutory easement the first time it is registered.

For more information, please contact Location I, page C10.

■ GOODS AND SERVICES NOT TAXABLE UNDER MANITOBA SALES TAX BUT SUBJECT TO FEDERAL GST AND PROVINCIAL HST/QST

Goods

- New housing
- Gasoline and diesel fuel
- Home heating products (electricity, natural gas, wood)
- Children's clothing and footwear
- Books
- Feminine hygiene products
- Vegetable and fruit plants, seeds and trees
- Organic fertilizers and topsoil
- Smoking cessation products

Services

- Construction services to real property (land and houses excluding mechanical/electrical systems)
 - Excavation, basements, foundation, piles and waterproofing
 - Concrete and asphalt work
 - Roofing and shingling including vents
 - Eaves troughs, soffits and fascia
 - Stucco, siding, plastering and other exterior finishing
 - Fencing and decks
 - Insulation
 - Masonry work
 - Drywall and paneling
 - Painting (interior/exterior homes/garages/fences)
 - Doors and windows including hardware and millwork
 - Flooring
 - Framing
- Real estate agency fees
- Funeral services
- Haircuts under \$50
- Postal services
- Investment services (portfolio management fees), financial planning, tax/estate planning
- Transportation (taxi, bus, rail, air, courier and delivery)
- Moving and storage
- Parking
- Entertainment services (admission to theatre, movies, circus, fairs, sporting events, concerts, parks, zoos)

■ CONTACTS FOR FURTHER INFORMATION

A	<i>Taxation, Economic and Intergovernmental Fiscal Research Division, Manitoba Finance</i>	Telephone Fax e-mail	204-945-3757 204-945-5051 feedbackfin@gov.mb.ca
B	<i>Manitoba Tax Assistance Office, Manitoba Finance</i>	Telephone Toll-free Fax e-mail	204-948-2115 in Winnipeg 1-800-782-0771 204-948-2263 tao@gov.mb.ca
C	<i>Taxation Division, Manitoba Finance</i>	Telephone Toll-free Fax e-mail	204-945-5603 in Winnipeg 1-800-782-0318 204-945-0896 mbtax@gov.mb.ca
D	<i>Manitoba Film and Music Recording Development Corporation</i>	Telephone Fax e-mail	204-947-2040 204-956-5261 explore@mbfilmmusic.ca
E	<i>Science, Innovation and Business Development, Manitoba Innovation, Energy, and Mines</i>	Telephone Fax e-mail	204-945-0975 204-945-3977 avery.jodoin@gov.mb.ca
F	<i>Financial Services Division, Manitoba Entrepreneurship, Training and Trade</i>	Telephone Toll-free Fax e-mail	204-945-2475 in Winnipeg 1-800-282-8069 204-945-1193 doug.fyfe@gov.mb.ca
G	<i>Manitoba Housing and Community Development</i>	Telephone Fax e-mail	204-945-4663 204-948-2013 housing@gov.mb.ca
H	<i>Manitoba Agricultural Services Corporation</i>	Telephone Fax e-mail	204-726-7068 204-726-6849 fstr@masc.mb.ca
I	<i>Manitoba Land Titles</i>	Telephone Fax For other locations, see: Web	204-945-2042 (Winnipeg) 204-948-2140 (Winnipeg) www.gov.mb.ca/tpr/land_titles/surveys/docs/faq_lto.pdf

■ PERSONAL TAX SAVINGS SINCE 1999

Personal Income Taxes, Education Property Tax Credits, Residential Education Support Levy, Seniors School Tax Levy Savings and Farmland School Tax Rebate

	2000	2001	2002	2003	2004	2005	2006	2007
	(Millions of Dollars)							
Income Tax Reductions								
BUDGET								
2000	9	68	34					
2001		29	7	18				
2002			15					
2003					39			
2005							30	
2006							8	34
2007								25
2008								
2010								
2011								
SUBTOTAL	9	97	56	18	39	-	38	59
Property Tax Reductions¹								
BUDGET								
2000	26							
2001		27						
2002			10					
2003				19				
2004					23			
2005						37		
2006							39	
2007								42
2008								
2009								
2011								
2013								
SUBTOTAL	26	27	10	19	23	37	39	42
Annual Totals	35	124	67	37	62	37	77	101
Cumulative Annual Totals	35	159	226	262	324	361	438	539

Totals may not add due to rounding.

¹ Reductions include the seniors' school tax rebate of \$50 million, increases to the Education Property Tax Credit of \$156 million, the introduction of and increases to the Farmland School Tax Rebate of \$35 million, and reductions to the Education Support Levy which was eliminated in 2006 (the elimination of ESL now provides annual tax savings of \$145 million compared to \$100 million in 2006).

2008	2009	2010	2011	2012	2013	2014	2015	Cumulative Annual Totals		
(Millions of Dollars)										
									Income Tax Reductions	
									BUDGET	
									111	2000
									54	2001
									15	2002
									39	2003
									30	2005
									42	2006
51	28	16						120	2007	
1	24	11						36	2008	
		3	8					11	2010	
			24	20	19	19		81	2011	
52	52	30	32	20	19	19		539	SUBTOTAL	
									Property Tax Reductions¹	
									BUDGET	
									26	2000
									27	2001
									10	2002
									19	2003
									23	2004
									37	2005
									39	2006
2	2							46	2007	
25								25	2008	
	16							16	2009	
			19	2	2			23	2011	
						25	25	50	2013	
27	18	-	19	2	2	25	25	341	SUBTOTAL	
79	70	30	51	21	21	44	25	880	Annual Totals	
618	688	718	769	790	811	855	880		Cumulative Annual Totals	

■ MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income*	Tax Payable/(Refunds)		Tax Savings in 2013	2013 Savings over 1999 (Percentage)	Cumulative Savings over 14 Years (Dollars)
	1999	2013			
	(Dollars)				
SINGLE PERSON¹					
10,000	88	(95)	183	207.0	1,763
20,000	1,369	1,043	326	23.8	2,914
40,000	4,012	3,260	753	18.8	7,257
70,000	9,153	7,150	2,003	21.9	19,328
100,000	14,572	12,370	2,203	15.1	22,052
FAMILY OF FOUR – ONE EARNER¹					
25,000	411	(192)	603	146.7	6,071
40,000	2,861	1,628	1,233	43.1	11,281
60,000	6,625	4,340	2,285	34.5	22,116
75,000	9,435	6,770	2,664	28.2	25,751
100,000	13,951	11,363	2,587	18.5	24,811
FAMILY OF FOUR – TWO EARNERS¹					
30,000	533	(51)	583	109.5	5,110
40,000	1,360	709	651	47.9	6,028
60,000	4,107	3,064	1,044	25.4	10,447
80,000	7,169	5,472	1,697	23.7	17,009
100,000	10,188	7,975	2,213	21.7	21,848
SENIOR COUPLE²					
30,000	39	(316)	355	910.4	4,045
40,000	1,667	688	979	58.7	8,356
60,000	5,635	3,315	2,320	41.2	19,745
80,000	8,893	6,360	2,533	28.5	22,975

Note: Some values may differ from previous years' tables due to changed assumptions regarding pension income splitting and the Personal Tax Credit.

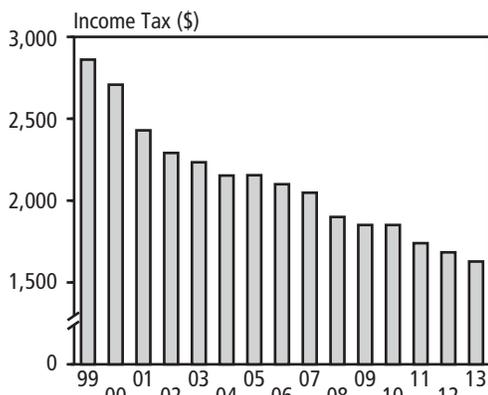
* Income does not reflect Universal Child Care Benefit entitlements, but entitlements have been used to determine year-over-year savings.

¹ Taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, one taxfiler earns 60% of the income and the other earns 40% and pays child-care fees. The Fitness Tax Credit and the Children's Arts and Cultural Activities Tax Credit are claimed for one child in both family examples. Where applicable, tax payable has been reduced by the Personal Tax Credit.

² For the senior couple, both receive the Old Age Security Pension and each spouse splits private pension income in applicable tax years.

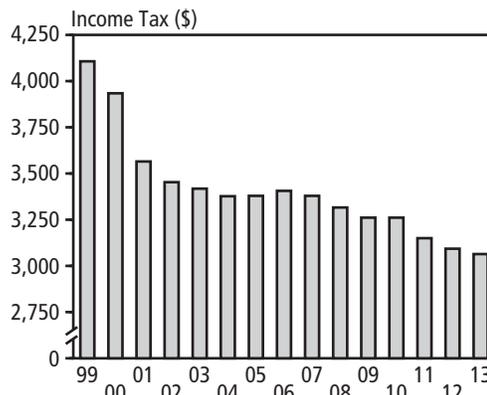
MANITOBA INCOME TAX SINCE 1999

One-Earner Family of Four at \$40,000



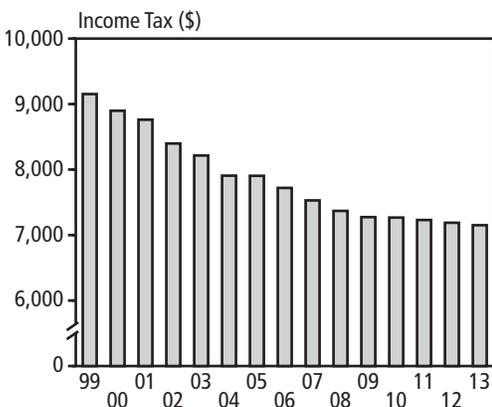
Source: Manitoba Finance

Two-Earner Family of Four at \$60,000



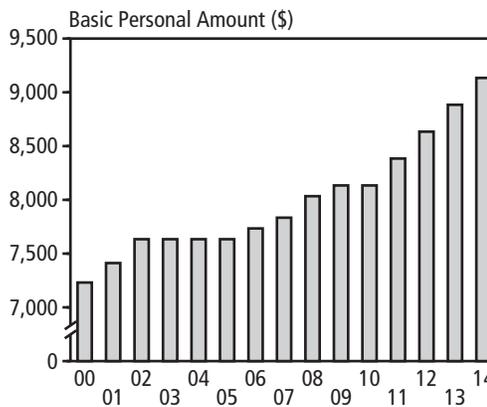
Source: Manitoba Finance

Single Individual at \$70,000



Source: Manitoba Finance

The Basic Personal Amount



Source: Manitoba Finance

Since 1999, the basic personal amount has increased from \$6,794 to \$8,884 in 2013, and will increase again to \$9,134 in 2014. This represents a 34% increase. The increased amounts benefit over 650,000 individual Manitobans, over 36,000 couples and common-law partnerships, and nearly 18,000 single parents. In 2013, another 5,500 Manitobans will be removed from the tax rolls. By 2014, almost 22,000 Manitobans will no longer pay Manitoba income tax because of the increased amounts since 2011.

■ 2013 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rates applicable on December 31, 2013. Data as of April 5, 2013.

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%) ¹	14.70	10.00	15.00	17.40	20.53
Health Care Premiums (\$) ²	798				900
Health and Education Tax (%) ³				2.15	1.95
Corporation Income Tax (%) ⁴					
Small	2.5	3.0	2.0	0.0	4.5
Large ⁵	11.0	10.0	12.0	12.0	11.5
Manufacturing ⁵	11.0	10.0	10.0	12.0	10.0
Small business limit (\$000)	500.0	500.0	500.0	400.0	500.0
Capital Tax (%) ⁶					
Banks	-	-	3.25	5.00	-
Small Financial Institutions	-	-	0.70	-	-
Sales Tax (%) ⁷	7.0	-	5.0	8.0	8.0
Gasoline Tax (¢/l) ⁸	21.17	9.0	15.0	14.0	14.7
Diesel Fuel Tax (¢/l) ⁹	22.67	9.0	15.0	14.0	14.3
Tobacco Tax (¢/cigarette) ⁵	22.3	20.0	25.0	29.0	12.35
Corporation Income Tax Credits¹⁰					
Manufacturing (%)			5.00	10.00	
Research and Development (%)	10.00	10.00	15.00	20.00	14.50

¹ Top marginal provincial rates include surtaxes.

² The health premium for BC is the maximum individual rate. The premium for ON is calculated as part of its provincial personal income tax system; maximum individual rate shown. QC levies a progressive health contribution, a prescription drug plan and a parental insurance plan; maximum total individual rate shown.

³ MB exempts firms with payrolls of less than \$1.25 million. ON provides a payroll deduction of \$400,000 for all employers. QC has graduated rates for firms with payrolls under \$5 million. NL exempts firms with payrolls of less than \$1.2 million.

⁴ MB's small business limit will increase from \$400,000 to \$425,000 on January 1, 2014. The NS small business tax rate will decrease from 4% to 3% in 2014, and the small business limit will decrease from \$400,000 to \$350,000.

⁵ BC's corporation income tax rate and tobacco tax rate are subject to legislative approval.

■ FEDERAL AND MANITOBA INCOME TAX RATES, 2013

Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
15.0%	\$0 – \$43,561	10.8%	\$0 – \$31,000
22.0%	\$43,561 – \$87,123	12.75%	\$31,001 – \$67,000
26.0%	\$87,123 – \$135,054	17.4%	over \$67,000
29.0%	over \$135,054		

QC	NB	NS	PE	NL	
25.75	16.07	21.00	18.37	13.30	Personal Income Tax
1,956					Top Marginal Rate (%) ¹
4.26				2.00	Health Care Premiums (\$) ²
					Health and Education Tax (%) ³
					Corporation Income Tax (%) ⁴
8.0	4.5	3.5	4.5	4.0	Small
11.9	12.0	16.0	16.0	14.0	Large ⁵
11.9	12.0	16.0	16.0	5.0	Manufacturing ⁵
500.0	500.0	400.0	500.0	500.0	Small business limit (\$000)
					Capital Tax (%) ⁶
-	4.00	4.00	5.00	4.00	Banks
-	-	-	-	-	Small Financial Institutions
9.975	8.0	10.0	9.0	8.0	Sales Tax (%) ⁷
19.2	13.6	15.5	13.1	16.5	Gasoline Tax (¢/l) ⁸
20.2	19.2	15.4	20.2	16.5	Diesel Fuel Tax (¢/l) ⁹
12.90	19.00	23.52	22.50	20.50	Tobacco Tax (¢/cigarette) ⁵
					Corporation Income Tax Credits¹⁰
5.00			10.00		Manufacturing (%)
37.50	15.00	15.00		15.00	Research and Development (%)

⁶ QC levies a 25% compensation tax on the paid-up capital of bank, trust and loan companies. SK has a reduced tax rate for small financial institutions with less than \$1.5 billion in taxable paid-up capital. MB exempts small financial institutions with less than \$4 billion in taxable paid-up capital.

⁷ MB's Retail Sales Tax will increase to 8% effective July 1, 2013.

⁸ Provincial gasoline taxes are fixed rates per litre. PE includes both a variable (maximum of 6.0¢/l) and a fixed (7.1¢/l) tax. The rate in BC includes 6.75¢/l dedicated to the BC Transportation Financing Authority and the carbon tax rate of 6.67¢/l for gasoline. ON, QC, NB, NS, NL and PE include provincial sales tax based on average pump prices.

⁹ Provincial diesel fuel taxes are fixed rates per litre. PE includes both a variable (maximum of 8.7¢/l) and a fixed (11.5¢/l) diesel fuel tax. The rate in BC includes 6.75¢/l dedicated to the BC Transportation Financing Authority and the carbon tax rate of 7.67¢/l for diesel. Montréal has an additional levy of 3.0¢/l and QC imposes a carbon tax of 0.8¢/l on petroleum companies (it is assumed the tax is passed on to consumers). QC, NB, NS, NL and PE levy provincial sales tax on the pump price.

¹⁰ QC R&D tax credit only applies on eligible labour, which reduces the effective tax rate to below 20%.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate	15.0%	12.0%
Small Business Rate	11.0%	0.0%
Small Business Limit*	\$500,000	\$400,000

*In 2014, the Manitoba small business limit increases to \$425,000.

■ Appendix 1: MANITOBA TAX EXPENDITURES, 2012/13

Introduction

Governments use the tax system to pursue social, cultural and economic objectives. A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions); or events (ex: involuntary dispositions).

Accounting for Tax Expenditures

Certain tax expenditures are treated as departmental expenditures, which are subject to review and approval by the Legislature, and are published annually as an individual line item in the Estimates of Expenditure in public accounts.

Other tax expenditures are absorbed into revenue estimates, reducing government revenues that would otherwise have been available for various direct expenditures. Tax expenditure accounts help to enhance the transparency of program expenditures and promote public accountability for tax credits that are absorbed into tax revenue.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be considered when interpreting results. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of another tax expenditure. For example, changing something that is a deduction from income, such as RRSP contributions, would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, health and education tax levy, retail sales tax, fuel tax and corporation capital tax. The estimates are calculated from tax assessment data provided by the Canada Revenue Agency and departmental data. The estimates provided are for the 2012/13 fiscal year and include measures announced in the 2013 Budget.

Public Sector Accounting Board guidelines stipulate that tax expenditures that provide a financial benefit through the tax system for a purpose other than the relief of taxes be shown as an expense. The 2013 Budget reflects the following tax credits as expenditures and can be found in the Estimates of Expenditure in the departments of Agriculture, Food and Rural Initiatives, Education, Finance, and Innovation, Energy and Mines.

CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS

	<u>2012/13</u>
	(Millions of Dollars)
Education Property Tax Credit (including the Advance)	310.7
Farmland School Tax Rebate	35.5
Film and Video Production Tax Credit	19.0
Tuition Fee Income Tax Rebate Advance	3.3
Cultural Industries Printing Tax Credit	1.5
School Tax Credit for Tenants and Homeowners (55+)	1.1
Interactive Digital Media Tax Credit	0.6
Book Publishing Tax Credit	0.5
Co-operative Development Tax Credit	0.1
TOTAL	372.3

MANITOBA TAX EXPENDITURES, 2012/13

(Millions of Dollars)

PERSONAL INCOME TAX**(a) Adjustments to Income** (in accordance with tax collection agreements)

Contributions to RRSPs	152.5
Contributions to RPPs	95.3
Capital gains inclusion rate	87.9
Lifetime capital gains exemption	35.4
Social assistance, WCB, and OAS/GIS (non-taxable income)	21.0
Union dues and professional fees	20.3
Pension Income Splitting	18.0
Child-care expenses	14.0
Northern residents deduction	6.8
Moving expenses	1.9

(b) Non-refundable tax credits (basic credits provided federally and by all provinces)

Basic personal	677.1
CPP/EI	120.2
Charitable donations	67.6
Family Tax Benefit	57.3
Age	33.5
Medical expenses	33.4
Tuition fees and education amount	30.6
Spousal	25.0
Disability	20.0
Eligible dependant	17.5
Private pension	15.5
Fitness Tax Credit	4.0
Children's Arts and Cultural Tax Credit	2.3
Caregiver	1.5
Student loan interest	0.8
Infirm dependants	0.2
Adoption Expenses Tax Credit	0.1

(c) Other Manitoba Tax Measures

Tuition Fee Income Tax Rebate	35.7
Primary Caregiver Tax Credit	20.5
Mineral Exploration Tax Credit	5.5
Foreign Tax Credit	2.5
Political Contributions Tax Credit	1.8
Fertility Treatment Tax Credit	1.0
Overseas Employment Tax Credit	0.5
Labour-Sponsored Venture Capital Corporations Tax Credit	0.2
Community Enterprise Development Tax Credit	0.1

(Millions of Dollars)

CORPORATE INCOME TAX

Low rate for small business	260.5
Manufacturing Investment Tax Credit	42.0
Research and Development Tax Credit	25.6
Green Energy Equipment Tax Credit	1.7
Co-op Education and Apprenticeship Tax Credits	1.7
Small Business Venture Capital Tax Credit	1.1
Odour Control Tax Credit*	-
Riparian Tax Credit*	-
Neighbourhoods Alive! Tax Credit*	-
Nutrient Management Tax Credit*	-

HEALTH AND EDUCATION LEVY

\$1.25 million exemption	143.1
Exemption for interjurisdictional common carriers	14.5

RETAIL SALES TAX

Personal Tax Credit	44.2
Data Processing Investment Tax Credit*	-

Exemptions

Groceries	170.8
Farm machinery and repairs	46.0
Farm and organic fertilizer	23.5
Prescription drugs and medicine	23.3
Books, free magazines and newspapers, and school yearbooks	19.1
Farm pesticides and herbicides	17.2
Medical supplies, appliances and equipment	15.3
Water supplied by a municipality	13.2
Electricity used for manufacturing or mining	12.2
Children's clothing and footwear	11.9
Natural gas for residential heating	9.8
Custom software and computer programming	8.0
Vehicle trade-ins	6.5
Toll-free calls	6.2
Electricity for residential heating	6.1
Vehicle private buy/sell refunds	3.8
Direct agents and qualifying items used in manufacturing a product for sale and in mining or processing minerals	3.3
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use)	1.8
Qualifying geophysical survey and explorations equipment, drill rigs and well servicing equipment used in oil and gas exploration and development	1.6

(Millions of Dollars)

Exemptions (continued)

Feminine hygiene products	1.3
Mobile, ready-to-move and modular homes (point of sale reduction)	0.9
Films for public broadcast	0.4
Non-prescription smoking cessation products	0.4
Farm manure slurry tanks and lagoon liners	0.1
Qualifying geophysical survey and exploration equipment, and prototype mining equipment	0.1

FUEL TAX

Marked gasoline and diesel	41.3
Ethanol grant	18.8
International cargo flight refunds	0.1

CORPORATE CAPITAL TAX

Elimination of general Corporation Capital Tax	128.9
Credit unions and caisses populaires exemption	12.6
Small banks and trust and loan corporations exemptions	0.8
Co-operatives exemption	0.7
Capital deduction	0.2

All estimates are based on the most complete information available at the time of publication.

In some cases, new information may significantly revise earlier estimates.

* Tax credit uptake is negligible

Source: Manitoba Finance, April 5, 2013

■ Appendix 2: THE MANITOBA ADVANTAGE

Manitoba's competitive cost structure and central geographical location in North America support an independent and interconnected mix of industries, including manufacturing, wholesale trade, transportation, mining, agriculture and financial services. As a result, the province is recognized as one of the most diversified economies in Canada with 11 different industrial sectors each making up more than 5% of the total economy.

Encouraged by initiatives and development opportunities, Manitoba has posted the second-fastest real GDP growth among provinces in the last five years. Over the same period, capital investment increased 38% in Manitoba, the third-highest increase among provinces, and double the 19% national increase. According to Statistics Canada, Winnipeg, Manitoba's capital city, ranks third among metropolitan areas in Canada for highest number of head offices per capita. In 2011, Manitobans also declared the highest per capita of charitable donations in Canada.

Manitoba provides businesses and residents with a unique set of benefits that we call "The Manitoba Advantage:"

- a productive, well-educated and multilingual labour force that consistently generates an unemployment rate among the lowest in Canada, and the highest overall labour force participation rate in Canada;
- a favourable business cost environment, including competitive office and land costs, reasonable construction costs and affordable taxes;
- a supportive capital investment information network for new and expanding business, including Manitoba Business Gateways, *Yes! Winnipeg* and CentrePort Canada, among others;
- an extensive network of R&D facilities and communication infrastructure supporting innovation and productivity;
- a convenient mid-continent location with cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea, enhanced by CentrePort Canada, the country's first foreign trade zone and inland port;
- a favourable cost of living, including among the lowest electricity costs in North America; affordable automobile insurance rates; reliable and accessible public services, including quality universal public health care and education;
- a dynamic cultural and artistic community; and
- a strong background of caring, high level of charitable giving and volunteering; and an attractive natural environment with plenty of opportunities for recreation and relaxation which further enhance Manitobans' quality of life.

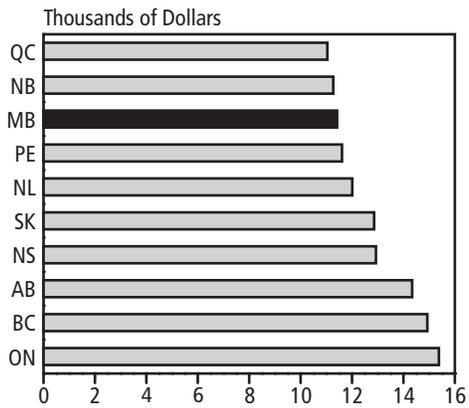
To show Manitoba's cost competitiveness in more detail, several analyses are provided. The interprovincial comparison of annual personal costs and taxes, net of credits and rebates, compares provinces' living costs and tax levels for a variety of family types (see p. C26).

Manitoba's Competitive Environment for Manufacturing provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see p. C34).

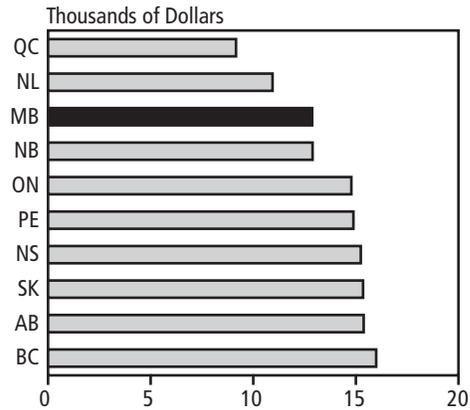
Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada. For 2013, Manitoba's performance remains favourable. Interprovincial comparison of provincial taxes, utilities and housing costs for five representative family types continues to leave Manitoba ranking in the top three most affordable provinces in which to live and work.

2013 Comparison of Personal Costs and Taxes

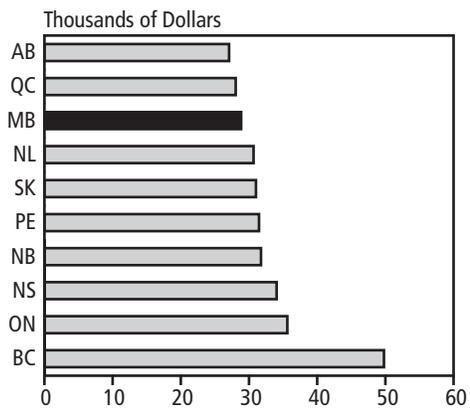
Single Person Earning \$30,000



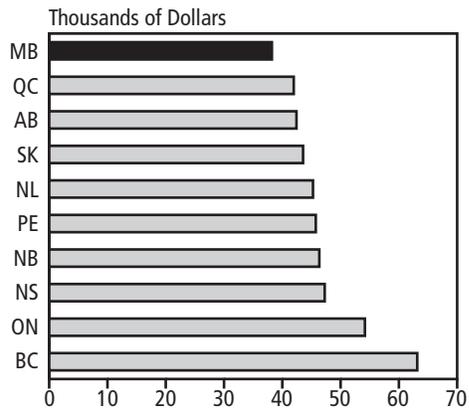
Single Parent Earning \$30,000



Two-Earner Family of Four Earning \$60,000



Two-Earner Family of Five Earning \$75,000



2013 Comparison of Personal Costs and Taxes

Single Person: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	847	1,053	1,196	1,378	394
Health Premiums	798	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>1,645</u>	<u>1,053</u>	<u>1,196</u>	<u>1,378</u>	<u>694</u>
Provincial Sales Tax	214	0	141	314	498
Carbon Tax Credit	(116)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,744</u>	<u>1,053</u>	<u>1,337</u>	<u>1,691</u>	<u>1,192</u>
Rent	11,784	11,496	9,972	8,448	12,084
Utilities	365	772	718	393	640
Public Transit	1,037	1,015	833	886	1,464
<u>Total Living Costs</u>	<u>13,186</u>	<u>13,283</u>	<u>11,523</u>	<u>9,727</u>	<u>14,188</u>
Total Personal Costs and Taxes	<u>14,930</u>	<u>14,336</u>	<u>12,860</u>	<u>11,419</u>	<u>15,380</u>

Single Parent, One Child: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	181	0	(474)	(53)	(827)
Health Premiums	835	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>1,016</u>	<u>0</u>	<u>(474)</u>	<u>(53)</u>	<u>(527)</u>
Family/Employment Tax Credits	0	(507)	0	0	0
Child Benefits	0	0	0	0	0
Provincial Sales Tax	279	0	183	408	647
Carbon Tax Credit	(231)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,064</u>	<u>(507)</u>	<u>(291)</u>	<u>354</u>	<u>120</u>
Rent	11,784	11,496	9,972	8,448	12,084
Child Care	1,740	2,604	4,115	2,793	476
Utilities	365	772	718	393	640
Public Transit	1,037	1,015	833	886	1,464
<u>Total Living Costs</u>	<u>14,926</u>	<u>15,887</u>	<u>15,638</u>	<u>12,520</u>	<u>14,664</u>
Total Personal Costs and Taxes	<u>15,990</u>	<u>15,380</u>	<u>15,347</u>	<u>12,875</u>	<u>14,784</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL		Single Person: \$30,000
896	1,617	1,497	2,001	1,515		Provincial Income Tax
839	0	0	0	0		Health Premiums
<u>1,735</u>	<u>1,617</u>	<u>1,497</u>	<u>2,001</u>	<u>1,515</u>		<u>Subtotal PIT and Premiums</u>
547	480	644	490	530		Provincial Sales Tax
0	0	0	0	0		Carbon Tax Credit
<u>2,282</u>	<u>2,097</u>	<u>2,140</u>	<u>2,490</u>	<u>2,044</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
7,644	7,812	9,252	7,572	8,508		Rent
393	597	768	847	683		Utilities
725	764	766	704	775		Public Transit
<u>8,762</u>	<u>9,173</u>	<u>10,786</u>	<u>9,123</u>	<u>9,966</u>		<u>Total Living Costs</u>
<u>11,044</u>	<u>11,269</u>	<u>12,927</u>	<u>11,613</u>	<u>12,011</u>		Total Personal Costs and Taxes

QC	NB	NS	PE	NL		Single Parent, One Child: \$30,000
824	0	403	1,040	286		Provincial Income Tax
565	0	0	0	0		Health Premiums
<u>1,389</u>	<u>0</u>	<u>403</u>	<u>1,040</u>	<u>286</u>		<u>Subtotal PIT and Premiums</u>
(393)	(250)	0	0	0		Family/Employment Tax Credits
(3,132)	(86)	0	0	0		Child Benefits
711	623	837	636	688		Provincial Sales Tax
0	0	0	0	0		Carbon Tax Credit
<u>(1,425)</u>	<u>288</u>	<u>1,240</u>	<u>1,676</u>	<u>974</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
7,644	7,812	9,252	7,572	8,508		Rent
1,820	3,427	3,218	4,080	0		Child Care
393	597	768	847	683		Utilities
725	764	766	704	775		Public Transit
<u>10,582</u>	<u>12,600</u>	<u>14,004</u>	<u>13,203</u>	<u>9,966</u>		<u>Total Living Costs</u>
<u>9,157</u>	<u>12,887</u>	<u>15,244</u>	<u>14,879</u>	<u>10,940</u>		Total Personal Costs and Taxes

Sums may not add due to rounding.

2013 Comparison of Personal Costs and Taxes

Two-Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,186	1,612	437	2,901	563
Health Premiums	1,596	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>2,782</u>	<u>1,612</u>	<u>437</u>	<u>2,901</u>	<u>863</u>
Family/Employment Tax Credits	0	(1,390)	0	0	0
Child Benefits	0	0	0	0	58
Property Taxes	3,469	2,383	2,513	2,965	2,993
Property Tax Credits	(570)	0	0	(700)	(59)
Provincial Sales Tax	752	0	706	1,204	1,850
Gasoline Tax	635	270	450	420	441
Carbon Tax Credit	(83)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>6,985</u>	<u>2,875</u>	<u>4,106</u>	<u>6,790</u>	<u>6,146</u>
Mortgage Costs	22,489	11,771	10,355	8,445	13,878
Child Care	15,972	7,956	12,789	10,296	7,969
Utilities	1,626	1,900	1,954	1,490	1,903
Auto Insurance	2,719	2,581	1,812	1,825	5,723
<u>Total Living Costs</u>	<u>42,806</u>	<u>24,208</u>	<u>26,910</u>	<u>22,056</u>	<u>29,473</u>
Total Personal Costs and Taxes	<u>49,791</u>	<u>27,083</u>	<u>31,016</u>	<u>28,846</u>	<u>35,619</u>
Two-Earner Family of 5: \$75,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,806	2,313	1,950	4,198	1,312
Health Premiums	1,596	0	0	0	519
<u>Subtotal PIT and Premiums</u>	<u>3,402</u>	<u>2,313</u>	<u>1,950</u>	<u>4,198</u>	<u>1,831</u>
Family/Employment Tax Credits	0	(1,787)	0	0	0
Child Benefits	0	0	0	0	526
Property Taxes	3,814	3,115	3,454	3,753	4,912
Property Tax Credits	(570)	0	0	(700)	0
Provincial Sales Tax	979	0	574	1,416	2,341
Gasoline Tax	635	270	450	420	441
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>8,261</u>	<u>3,911</u>	<u>6,428</u>	<u>9,088</u>	<u>10,050</u>
Mortgage Costs	25,164	15,386	14,233	11,381	22,773
Child Care	24,294	17,388	17,829	13,438	12,451
Home Heating	2,710	3,167	3,256	2,483	3,172
Auto Insurance	2,719	2,581	1,812	1,825	5,723
<u>Total Living Costs</u>	<u>54,887</u>	<u>38,522</u>	<u>37,130</u>	<u>29,127</u>	<u>44,119</u>
Total Personal Costs and Taxes	<u>63,148</u>	<u>42,433</u>	<u>43,558</u>	<u>38,215</u>	<u>54,169</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Two-Earner Family of 4: \$60,000	
4,584	2,299	2,685	2,888	2,232		Provincial Income Tax
1,677	0	0	0	0		Health Premiums
<u>6,261</u>	<u>2,299</u>	<u>2,685</u>	<u>2,888</u>	<u>2,232</u>		<u>Subtotal PIT and Premiums</u>
0	(250)	0	0	0		Family/Employment Tax Credits
(2,870)	0	0	0	0		Child Benefits
3,083	2,701	2,375	2,600	1,986		Property Taxes
0	0	0	0	0		Property Tax Credits
2,122	1,781	2,319	1,578	1,964		Provincial Sales Tax
546	408	465	474	495		Gasoline Tax
0	0	0	0	0		Carbon Tax Credit
<u>9,143</u>	<u>6,939</u>	<u>7,844</u>	<u>7,540</u>	<u>6,677</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
8,054	5,836	8,184	4,896	7,544		Mortgage Costs
3,640	14,050	13,234	13,000	10,193		Child Care
1,998	2,909	2,752	4,158	3,850		Utilities
5,217	2,026	2,032	1,880	2,407		Auto Insurance
<u>18,909</u>	<u>24,821</u>	<u>26,202</u>	<u>23,934</u>	<u>23,994</u>		<u>Total Living Costs</u>
<u>28,052</u>	<u>31,760</u>	<u>34,046</u>	<u>31,474</u>	<u>30,671</u>		Total Personal Costs and Taxes

QC	NB	NS	PE	NL	Two-Earner Family of 5: \$75,000	
7,018	3,760	3,904	3,981	3,221		Provincial Income Tax
1,861	0	0	0	0		Health Premiums
<u>8,879</u>	<u>3,760</u>	<u>3,904</u>	<u>3,981</u>	<u>3,221</u>		<u>Subtotal PIT and Premiums</u>
0	(250)	0	0	0		Family/Employment Tax Credits
(3,429)	0	0	0	0		Child Benefits
5,367	3,874	2,957	3,900	3,170		Property Taxes
0	0	0	0	0		Property Tax Credits
2,569	2,242	2,837	1,733	2,279		Provincial Sales Tax
546	408	465	474	495		Gasoline Tax
<u>13,933</u>	<u>10,034</u>	<u>10,163</u>	<u>10,088</u>	<u>9,165</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
14,020	8,369	10,191	7,344	12,041		Mortgage Costs
5,460	21,076	20,295	19,500	15,227		Child Care
3,330	4,848	4,586	6,930	6,416		Home Heating
5,217	2,026	2,032	1,880	2,407		Auto Insurance
<u>28,027</u>	<u>36,319</u>	<u>37,104</u>	<u>35,654</u>	<u>36,091</u>		<u>Total Living Costs</u>
<u>41,960</u>	<u>46,353</u>	<u>47,267</u>	<u>45,742</u>	<u>45,256</u>		Total Personal Costs and Taxes

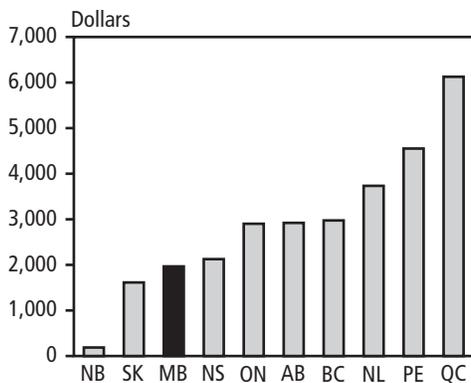
Sums may not add due to rounding.

2013 Comparison of Personal Costs and Taxes Net of Graduate Credits and Tuition Rebates

Single Person (Graduate): \$50,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,177	2,921	3,614	4,466	2,302
Graduate Tuition Credit/Rebate	0	0	(2,000)	(2,500)	0
Health Premiums	798	0	0	0	600
Subtotal PIT, Credit and Premiums	2,975	2,921	1,614	1,966	2,902
Property Taxes	3,469	2,383	2,513	2,965	2,993
Property Tax Credits	(570)	0	0	(700)	0
Provincial Sales Tax	324	0	264	511	788
Gasoline Tax	423	180	300	280	294
Total Provincial Taxes, Credits and Premiums	6,621	5,484	4,691	5,022	6,977
Mortgage Costs	22,489	11,771	10,355	8,445	13,878
Utilities	1,626	1,900	1,954	1,490	1,903
Auto Insurance	1,286	1,185	852	865	4,692
Total Living Costs	25,401	14,856	13,161	10,800	20,473
Total Personal Costs and Taxes	32,022	20,340	17,852	15,822	27,450

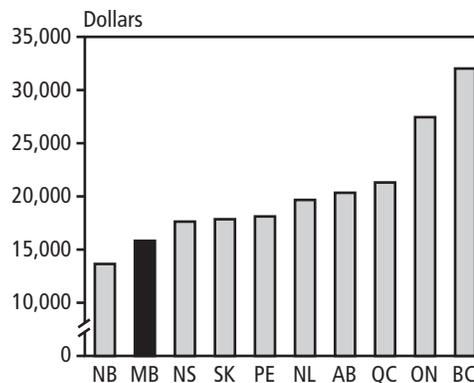
Sums may not add due to rounding.

Income Tax and Health Premiums Net of Graduate Credits and Tuition Rebates – Graduate Earning \$50,000



Source: Manitoba Finance

Personal Costs and Taxes – Graduate Earning \$50,000



Source: Manitoba Finance

QC	NB	NS	PE	NL	
5,077	4,187	4,626	4,552	3,734	Single Person (Graduate): \$50,000
0	(4,000)	(2,500)	0	0	Provincial Income Tax
1,051	0	0	0	0	Graduate Tuition Credit/Rebate
<u>6,127</u>	<u>187</u>	<u>2,126</u>	<u>4,552</u>	<u>3,734</u>	Health Premiums
					<u>Subtotal PIT, Credit and Premiums</u>
3,083	2,701	2,375	2,600	1,986	Property Taxes
0	0	0	0	0	Property Tax Credits
914	754	998	703	835	Provincial Sales Tax
364	272	310	316	330	Gasoline Tax
<u>10,488</u>	<u>3,914</u>	<u>5,809</u>	<u>8,171</u>	<u>6,885</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
8,054	5,836	8,184	4,896	7,544	Mortgage Costs
1,998	2,909	2,752	4,158	3,850	Utilities
767	987	883	889	1,388	Auto Insurance
<u>10,819</u>	<u>9,732</u>	<u>11,819</u>	<u>9,943</u>	<u>12,782</u>	<u>Total Living Costs</u>
<u>21,307</u>	<u>13,646</u>	<u>17,628</u>	<u>18,114</u>	<u>19,667</u>	Total Personal Costs and Taxes

Sums may not add due to rounding.

NOTES

Provincial taxes, credits and premiums are based on information available prior to April 5, 2013, (except for Manitoba, which includes Budget 2013 changes).

Auto insurance coverage includes \$2 million Third Party Liability, a \$500 All Perils Deductible, accident benefits and \$2 million Standard Policy Form #44 family protection coverage for those jurisdictions without no-fault injury coverage, and La Société de l'Assurance Automobile du Québec injury protection in Montréal. Rates were provided by the Insurance Corporation of British Columbia for BC, SGI Canada for SK, and Manitoba Public Insurance (MPI) for MB. Rates for other cities are the average of the quotes from 10 private insurers providing coverage in those provinces. Discounts for second or multiple vehicles, where available, are not included in the auto insurance calculations. Rebates issued by MPI or other insurers are also excluded. Auto insurance for the 2010 Dodge Grand Caravan SE and the 2003 Chevrolet Malibu are used in these examples, two of the more common vehicles driven in Manitoba.

Child-care costs are based on annual parent fees paid, less subsidies, for preschool aged children, typically over two years of age and under six years of age, for 260 days or 12 months per year. Manitoba, Prince Edward Island and Quebec are the only provinces with regulated maximum parent fees. Fees for other provinces are those obtained from provincial offices and online.

Gasoline Tax is based on the annual consumption of 2,000 litres for the single-vehicle family and 3,000 litres for the two-vehicle families. The Gasoline Tax includes all provincial levies on gas, including carbon tax and sales tax where applicable.

Health premiums are annual premiums for hospital insurance and medical services in provinces which levy them. Quebec's Prescription Drug Plan, Parental Insurance Plan and Progressive Health Contribution are included.

Mortgage costs are based on average home prices for a detached bungalow and an executive detached two-storey from the "Royal LePage Fourth Quarter 2012 Survey of Canadian House Prices," with one-half of the home price being financed over 25 years at a one-year closed mortgage rate of 3.2%.

Net child benefits represent provincial programs comparable to the Canada Child Tax Benefit for families with children.

Property taxes are based on the estimated taxes for a sample detached bungalow from the Saskatchewan 2013 Budget Paper "2013 Intercity Comparison of Taxes, Utilities and Housing." Property taxes for the detached bungalow have been proportionally adjusted for the executive detached two-storey.

Provincial income tax is calculated for a single renter with \$30,000 earned income, a single parent with one preschool child who rents and has \$30,000 in earned income, and the two family profiles with \$60,000 and \$75,000 of earned income, respectively. These incomes are before receipt of the Universal Child Care Benefit (UCCB), but the UCCB is used in the calculation of income tax. For the single parent, UCCB is treated as taxable income of the dependent child. Family profiles include two income earners (one spouse earns 60% of the family income while the other spouse earns 40%) and two preschool children; or three preschool children. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs less subsidies for each province have been deducted from income. For two-earner families, eligible child-care costs have been deducted from the income of the spouse with the lower income. Gross Quebec personal income tax has been reduced by the 16.5% abatement for federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Property tax credits for renters are included in income tax, but property tax credits for homeowners are shown separately.

Rent is from Canada Mortgage and Housing Corporation's Rental Market Survey, October 2012, and is based on the average one-bedroom apartment rent for each urban centre.

Provincial sales tax is based upon an average expenditure basket at the total income levels from the "2009 Survey of Household Spending" (Statistics Canada), inflated to 2013 values using each province's Consumer Price Index. In addition, the change in Manitoba's provincial sales tax rate on July 1, 2013 has been incorporated in the estimates. BC has returned to a provincial sales tax and PE has changed to the Harmonized Sales Tax.

Transit fares are based on adult monthly pass rates in effect in January 2013. The impact of the federal non-refundable public transit tax credit has reduced the cost of transit fees shown for the single individual and single parent with one child examples.

Utilities are based on the Saskatchewan 2013 Budget Paper "2013 Intercity Comparison of Taxes, Utilities and Housing."

- **Home heating** charges are based on an annual consumption level of 2,800 cubic metres of natural gas for a detached bungalow. Annual consumption for the detached bungalow has been proportionally adjusted for the executive detached two storey and for the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil.
- **Electricity charges** are based on the annual consumption of 8,100 kWh for a detached bungalow, 13,500 kWh for the executive detached two-storey and 4,584 kWh for renters.

■ Appendix 3: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada in which to do business. Among representative North American cities, both smaller and larger manufacturers in Brandon and Winnipeg rank at or near the best on start-up costs, net income, overall taxes and return on investment. Manitoba's competitive business environment continues to position Manitoba as an ideal manufacturing location due to:

- its central location and excellent transportation links to the rest of North America, including CentrePort Canada
- low industrial and commercial land costs
- electricity costs which are among the lowest in the world
- a skilled, well-educated and affordable work force
- one of the best R&D tax credit regimes
- low taxes on capital investments.

Manitoba Finance's competitiveness model compares the tax structure and cost environment for representative smaller and larger manufacturing firms relative to several other North American cities.

The model simulates start-up, operating, financial and taxation costs over a period of 20 years. It incorporates future unconditional changes in taxes that have been announced by the federal, provincial, state or local governments. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public sources.

Payroll-related Levies

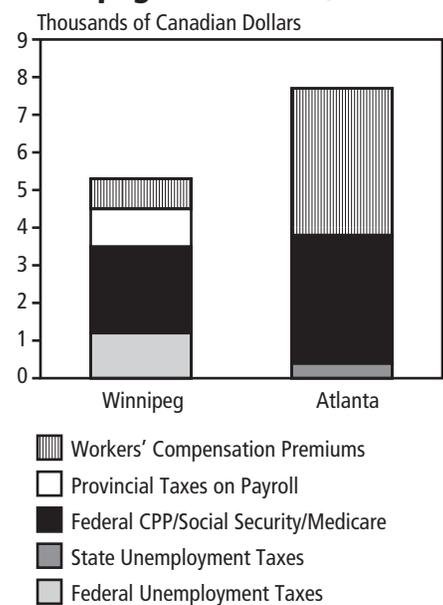
U.S. employers pay federal and state unemployment taxes, social security tax and medicare tax, and are also required to provide workers' compensation coverage. Canadian employers do not pay provincial unemployment or federal medicare taxes, though some provinces have taxes on payroll. For example, at the same wage level, a firm in Atlanta will have higher payroll-related taxes and levies than in Winnipeg.

Interjurisdictional Competitiveness

The following indicators are used to assess cost and tax competitiveness for both a smaller and a larger manufacturing firm:

- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return.

Payroll-Related Taxes and Levies per Employee, Larger Manufacturing Firm Winnipeg and Atlanta, 2013



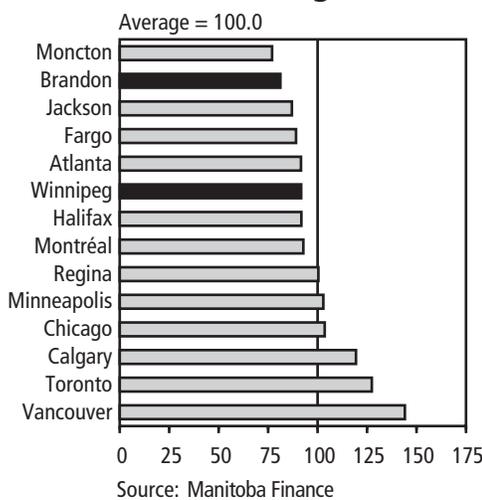
Source: Manitoba Finance

The model uses actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location.¹ The results for each city are compared to the overall average of all cities (100.0) for each of the indicators and presented in the charts that follow.

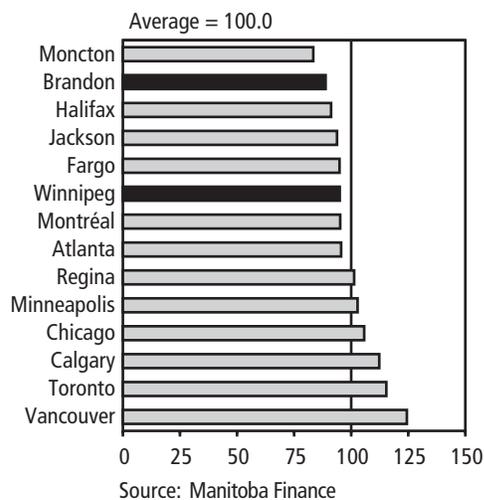
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) in Manitoba cities are among the lowest of all cities. Investment tax credits on capital asset purchases reduce the net cost of investment. Start-up costs in larger cities tend to be higher due to the cost of land and construction labour wages and salaries.

Net Cost of Investment Smaller Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

Pre-tax net income compares Manitoba's business cost competitiveness to other jurisdictions. It is calculated by deducting production material costs and location-specific costs from fixed annual sales figures. Annual sales are uniform for all locations and are ramped up through the first four years of operation then fixed across the cities at \$4 million for the smaller firm and \$45 million for the larger firm for years five to twenty. Annual production material costs are equal to 46% of sales in a given year.

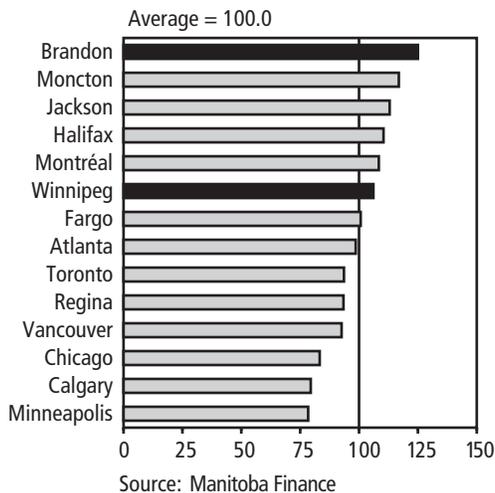
The following location-specific costs are also deducted from annual sales:

- average manufacturing wages
- local utility costs for electricity
- interest charges on debt used to finance construction of the manufacturing plants
- depreciation of capital assets: building costs (which vary by city based on local construction wages) and machinery and equipment (which are assumed to be the same across all cities)
- employer-paid payroll related taxes, levies and health premiums.

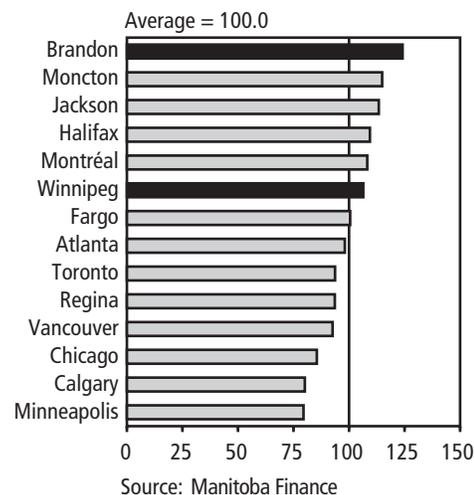
¹ For comparison purposes, U.S. data is converted to Canadian dollars at an exchange rate of C\$0.9846 (April 1, 2013 rate).

Brandon yields the highest pre-tax net income for both the smaller and larger manufacturing firms, while Winnipeg has the sixth-highest pre-tax net income for both model firms, which is still above the overall average for all cities.

Pre-Tax Net Income Smaller Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period. The following annual taxes are taken into account:

- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- taxes on payroll
- workers' compensation premiums
- statutory pension and unemployment insurance premiums.

For U.S. firms, employer-paid health premiums are also included.

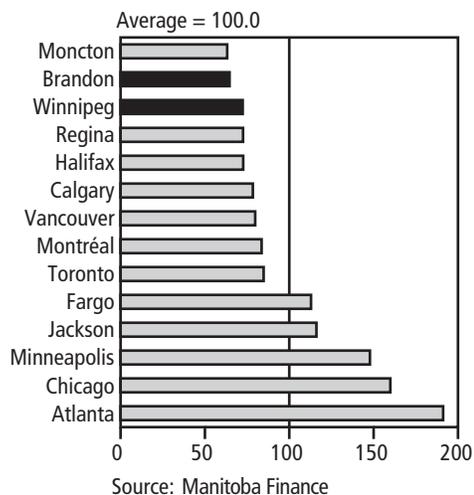
The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits
- tax holidays
- accelerated capital cost allowances
- preferential tax rates.

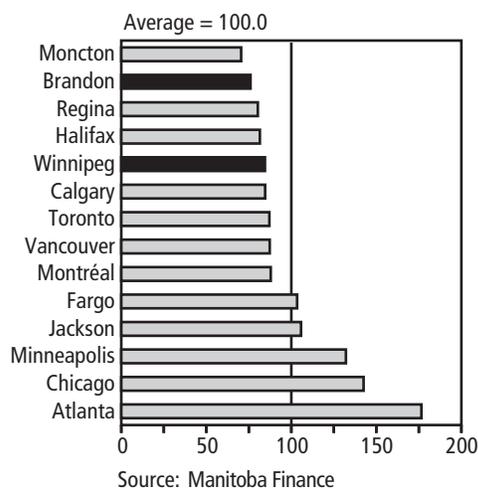
Not included are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs that are subject to an approval process.

For both the smaller and larger manufacturing firms, both Winnipeg's and Brandon's effective tax rates are well below the overall average (100.0).

Effective Tax Rates Smaller Manufacturing Firm



Effective Tax Rates Larger Manufacturing Firm



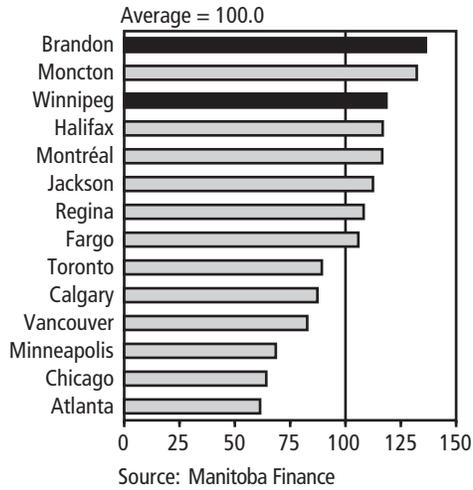
Overall Competitiveness

Overall competitiveness is compared by calculating internal rates of return, which are commonly used by business in making investment and location decisions. A higher internal rate of return indicates a city is more competitive than others. Internal rates of return for each city are calculated using start-up costs and cash flow over a 20-year period, specific to a smaller and a larger manufacturing firm, then discounted using applicable Canadian and U.S. commercial interest rates. The following charts illustrate the combined impact of taxes and costs on the internal rates of return for the representative smaller and larger manufacturing corporations in the selected jurisdictions.

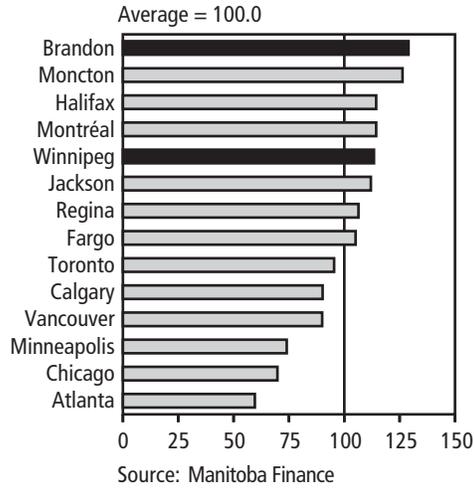
The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return. Winnipeg has the third-highest internal rate of return for the smaller manufacturing firm and the fifth-highest internal rate of return for the larger manufacturing firm.

Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for the smaller manufacturing firm and the second-highest internal rate of return for the larger manufacturing firm.

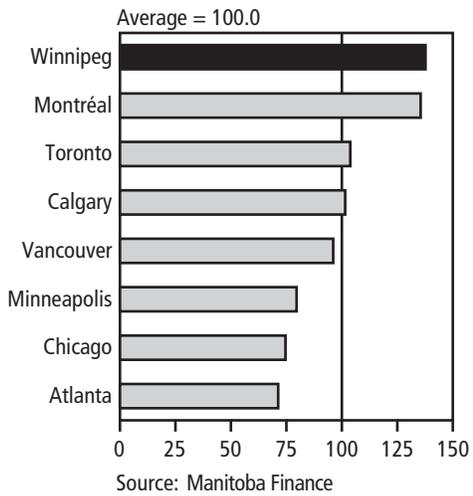
Internal Rates of Return Smaller Manufacturing Firm



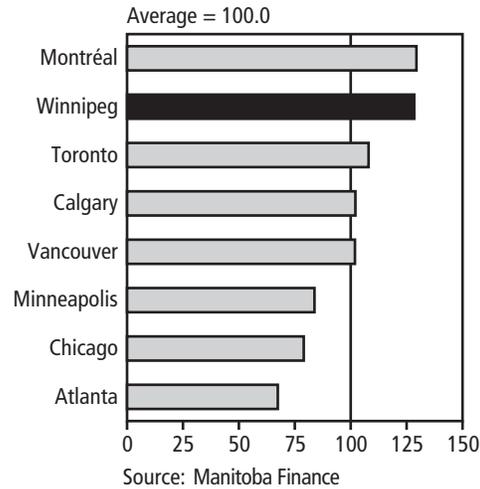
Internal Rates of Return Larger Manufacturing Firm



Internal Rates of Return Smaller Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



■ CONCLUSION

Manitoba continues to maintain a highly competitive overall business cost and tax environment for both smaller and larger firms engaged in manufacturing and processing.

Since 1999, Manitoba has significantly reduced business taxes by:

- decreasing the general corporate income tax rate from 17% to 12%
- eliminating the small business income tax rate, and increasing in this budget the income limit eligible for the nil rate from \$400,000 to \$425,000
- eliminating the general capital tax
- increasing the Health and Education Tax Levy exemption threshold
- introducing tax credits for investors into Manitoba enterprises
- providing employers who hire co-op students and graduates, apprentices and newly certified journeypersons with significant tax credits
- enhancing the level of assistance for R&D and manufacturing capital investments
- encouraging youth retention through tuition fee rebates and employer hiring incentives
- introducing new tax credits for the printing, publishing, data processing and interactive digital media sectors.

These measures ensure the Manitoba business tax environment remains competitive, especially for the manufacturing sector and small businesses.

