

## ■ 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.

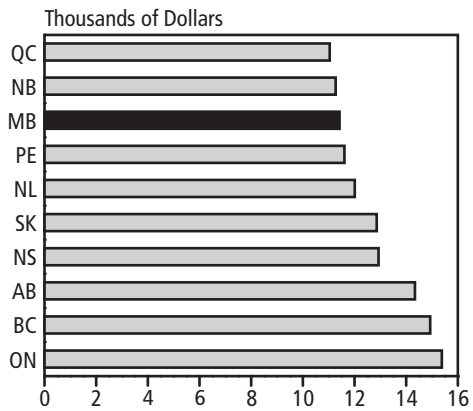
To show Manitoba's cost competitiveness in more detail, several analyses are provided. The interprovincial comparison of annual personal costs and taxes, net of credits and rebates, compares provinces' living costs and tax levels for a variety of family types (see p. C26).

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).

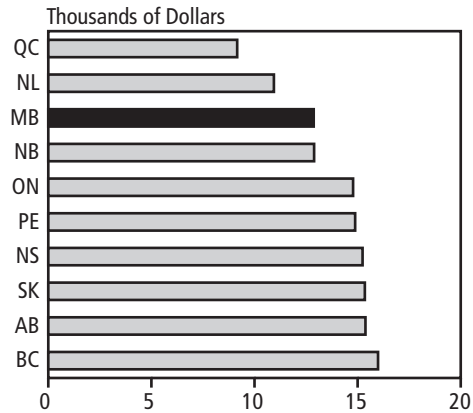
Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada. For 2013, Manitoba's performance remains favourable. Interprovincial comparison of provincial taxes, utilities and housing costs for five representative family types continues to leave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

## 2013 Comparison of Personal Costs and Taxes

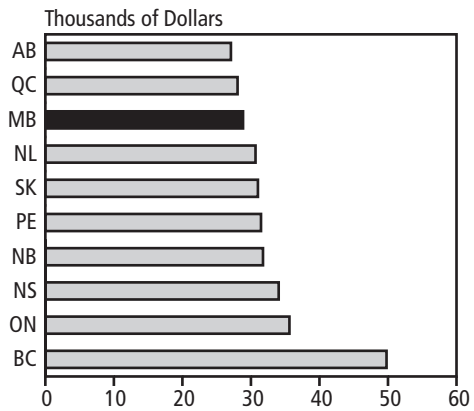
### Single Person Earning \$30,000



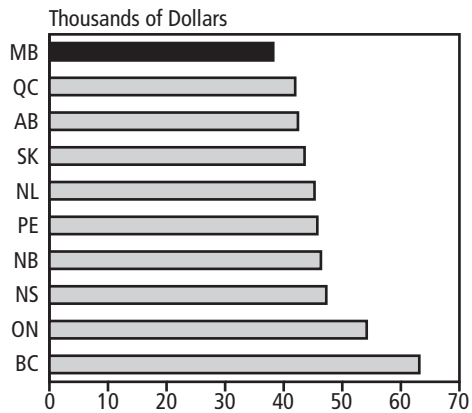
### Single Parent Earning \$30,000



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



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





## 2013 Comparison of Personal Costs and Taxes

<b>Single Person: \$30,000</b>	BC	AB	SK	MB	ON
Provincial Income Tax	847	1,053	1,196	<b>1,378</b>	394
Health Premiums	798	0	0	<b>0</b>	300
<u>Subtotal PIT and Premiums</u>	<u>1,645</u>	<u>1,053</u>	<u>1,196</u>	<u><b>1,378</b></u>	<u>694</u>
Provincial Sales Tax	214	0	141	<b>314</b>	498
Carbon Tax Credit	(116)	0	0	<b>0</b>	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,744</u>	<u>1,053</u>	<u>1,337</u>	<u><b>1,691</b></u>	<u>1,192</u>
Rent	11,784	11,496	9,972	<b>8,448</b>	12,084
Utilities	365	772	718	<b>393</b>	640
Public Transit	1,037	1,015	833	<b>886</b>	1,464
<u>Total Living Costs</u>	<u>13,186</u>	<u>13,283</u>	<u>11,523</u>	<u><b>9,727</b></u>	<u>14,188</u>
<b>Total Personal Costs and Taxes</b>	<u><b>14,930</b></u>	<u><b>14,336</b></u>	<u><b>12,860</b></u>	<u><b>11,419</b></u>	<u><b>15,380</b></u>
<b>Single Parent, One Child: \$30,000</b>	BC	AB	SK	MB	ON
Provincial Income Tax	181	0	(474)	<b>(53)</b>	(827)
Health Premiums	835	0	0	<b>0</b>	300
<u>Subtotal PIT and Premiums</u>	<u>1,016</u>	<u>0</u>	<u>(474)</u>	<u><b>(53)</b></u>	<u>(527)</u>
Family/Employment Tax Credits	0	(507)	0	<b>0</b>	0
Child Benefits	0	0	0	<b>0</b>	0
Provincial Sales Tax	279	0	183	<b>408</b>	647
Carbon Tax Credit	(231)	0	0	<b>0</b>	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,064</u>	<u>(507)</u>	<u>(291)</u>	<u><b>354</b></u>	<u>120</u>
Rent	11,784	11,496	9,972	<b>8,448</b>	12,084
Child Care	1,740	2,604	4,115	<b>2,793</b>	476
Utilities	365	772	718	<b>393</b>	640
Public Transit	1,037	1,015	833	<b>886</b>	1,464
<u>Total Living Costs</u>	<u>14,926</u>	<u>15,887</u>	<u>15,638</u>	<u><b>12,520</b></u>	<u>14,664</u>
<b>Total Personal Costs and Taxes</b>	<u><b>15,990</b></u>	<u><b>15,380</b></u>	<u><b>15,347</b></u>	<u><b>12,875</b></u>	<u><b>14,784</b></u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL		<b>Single Person: \$30,000</b>
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		<b>Single Parent, One Child: \$30,000</b>
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

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

Sums may not add due to rounding.

QC	NB	NS	PE	NL	<b>Two-Earner Family of 4: \$60,000</b>	
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	<b>Two-Earner Family of 5: \$75,000</b>	
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

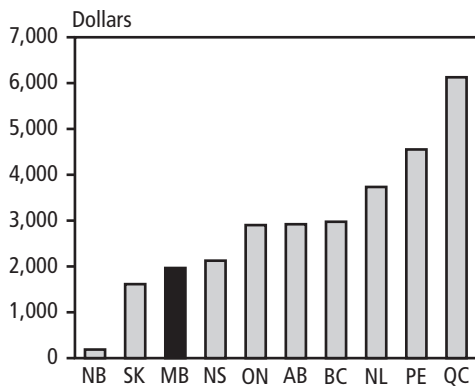
Sums may not add due to rounding.

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

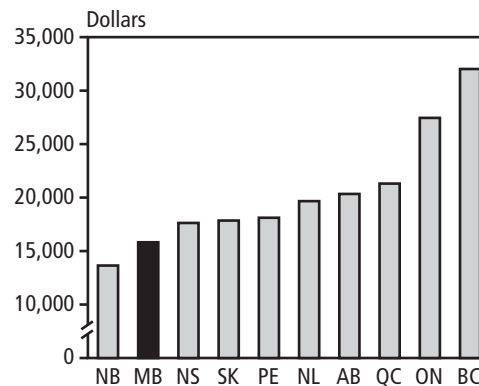
Sums may not add due to rounding.

### 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	<b>Single Person (Graduate): \$50,000</b>
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

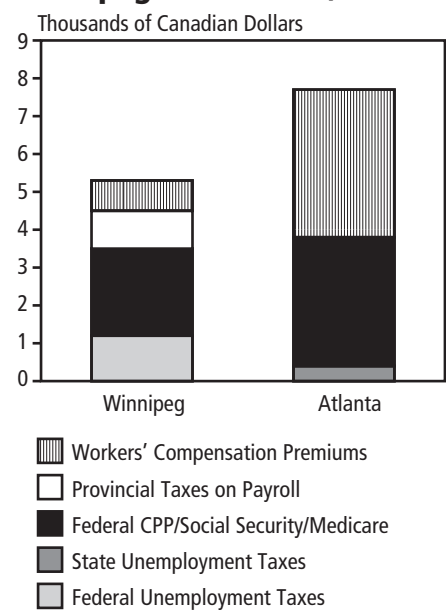
U.S. employers pay federal and state unemployment taxes, social security tax and medicare tax, and are also required to provide workers' compensation coverage. Canadian employers do not pay provincial unemployment or federal medicare taxes, though some provinces have taxes on payroll. For example, at 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



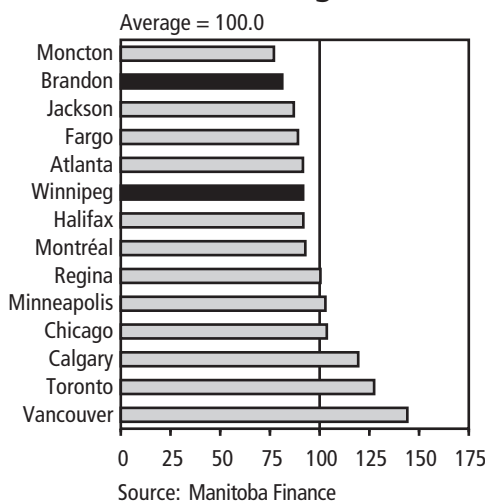
Source: Manitoba Finance

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.<sup>1</sup> 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.

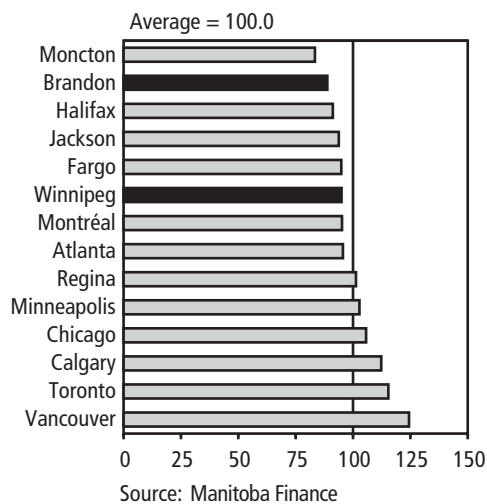
## Net Cost of Investment

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.

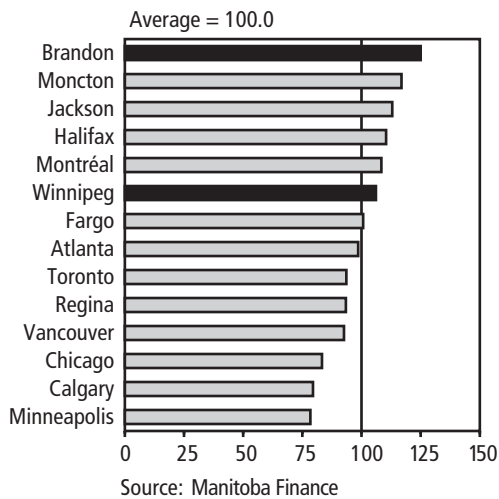
The following location-specific costs are also deducted from annual sales:

- 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.

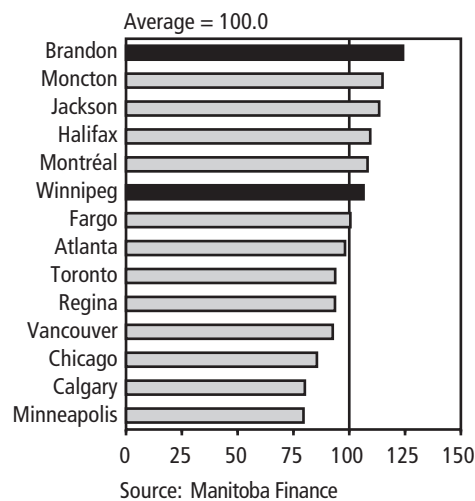
<sup>1</sup> For comparison purposes, U.S. data is converted to Canadian dollars at an exchange rate of C\$0.9846 (April 1, 2013 rate).

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.

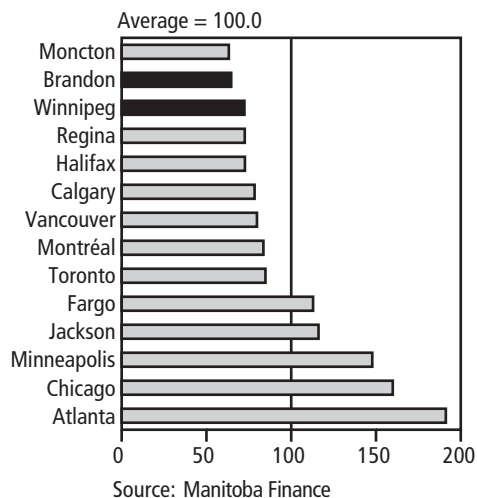
The following tax expenditures that benefit the manufacturing sector are also taken into account:

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

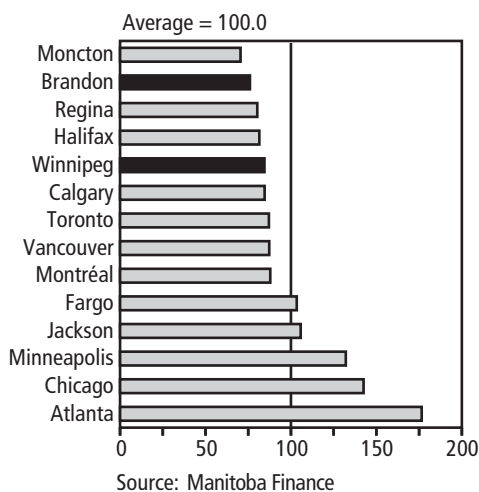
Not included are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs that are subject to an approval process.

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



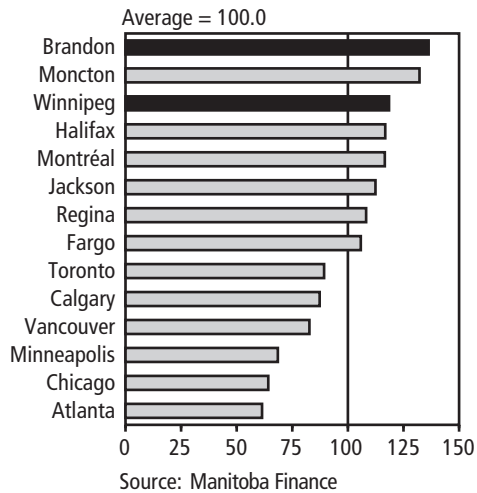
### Overall Competitiveness

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.

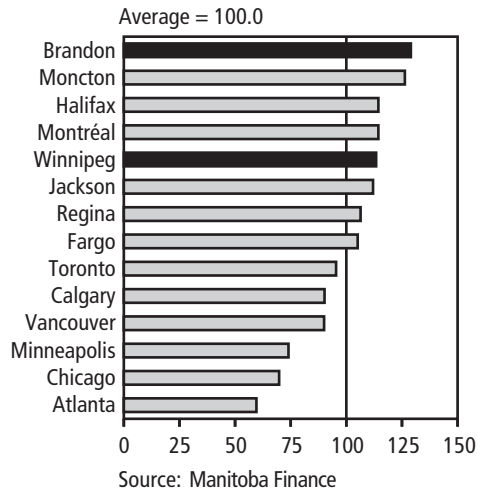
The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return. Winnipeg has the third-highest internal rate of return for the smaller manufacturing firm and the fifth-highest internal rate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

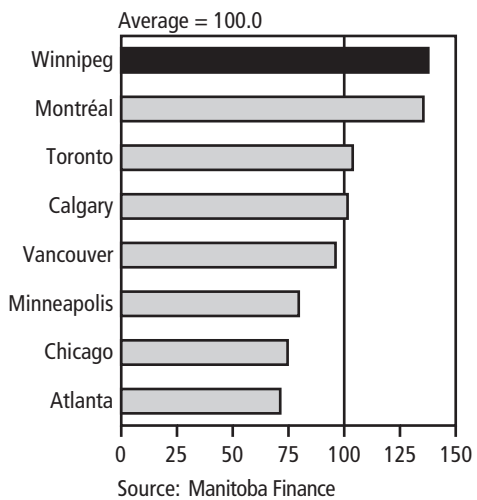
### Internal Rates of Return Smaller Manufacturing Firm



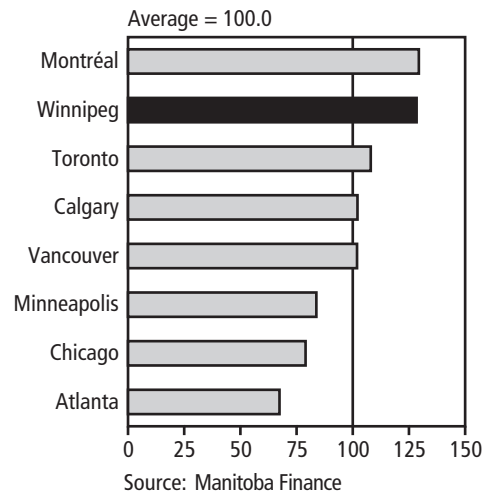
### Internal Rates of Return Larger Manufacturing Firm



### 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.

