

Budget Paper C
TAX MEASURES

Available in alternate formats, upon request.



TAX MEASURES

CONTENTS

FISCAL SUMMARY OF TAX MEASURES 1

PERSONAL TAX MEASURES..... 2

BUSINESS TAX MEASURES..... 4

TECHNICAL AND ADMINISTRATIVE MEASURES 4

TAX CREDIT REVIEW..... 4

CONTACTS FOR FURTHER INFORMATION 5

FISCAL SUMMARY OF TAX MEASURES

Negative amount means decrease in tax revenue or increase in tax expenditure.

	<u>2016/17</u>	<u>Full Year</u>
	(Millions of Dollars)	
Personal Tax Measures		
Personal Tax Brackets, indexed to inflation	-3.2	-12.8
Basic Personal Amount, indexed to inflation	-2.9	-11.6
Seniors' School Tax Rebate, modified	44.5 ¹	37.0
	<u>38.4</u>	<u>12.6</u>
Business Tax Measures		
Interactive Digital Media Tax Credit, enhanced	-	-
Green Energy Equipment Tax Credit, enhanced	-1.4	-1.4
Small Business Venture Capital Tax Credit, extended	-0.4	-1.5
	<u>-1.8</u>	<u>-2.9</u>
Total Fiscal Impact	<u><u>36.6</u></u>	<u><u>9.7</u></u>

¹ This figure includes adjustments that are attributable to 2015/16.

PERSONAL TAX MEASURES

Indexing Personal Income Tax Brackets

2016/17 revenue impact: -\$3.2 million

Manitoba tax brackets will be increased in 2017 by the Manitoba Consumer Price Index (CPI) for the twelve-month period of October 2015 to September 2016. It will continue to be indexed in subsequent years.

The index factor for 2017 will be known by November 2016, following the release of provincial inflation figures by Statistics Canada.

The table below illustrates the estimated change in tax brackets in 2017 as a result of indexing based on a currently projected index factor of 1.73% for Manitoba. The average income tax savings from these changes are approximately \$10 for middle-income earners and approximately \$67 for higher-income earners.

As a result of indexing brackets in 2017, 2,400 Manitobans who paid tax at 17.4% will be paying tax at the lower rate of 12.75%. Approximately 2,900 Manitobans who paid tax at 12.75% will be paying tax at the lowest rate of 10.8%.

The estimated total tax saving from indexing tax brackets in 2017 is approximately \$12.8 million.

For more information, please contact Location B, page C5.

Indexing the Basic Personal Amount

2016/17 revenue impact: -\$2.9 million

The Manitoba Basic Personal Amount (BPA) will be increased in 2017 by the Manitoba CPI for the twelve-month period of October 2015 to September 2016. Like the tax brackets, the BPA will continue to be indexed in subsequent years.

The 2016 BPA is currently \$9,134 and the new indexed BPA will be known by November 2016, following the release of provincial inflation figures by Statistics Canada.

It is estimated that the indexed BPA will increase from \$9,134 in 2016 to approximately \$9,292 in 2017, based on a projected index factor of 1.73% for Manitoba.

Approximately 2,770 Manitobans who paid tax at 10.8% will be removed from the tax rolls in 2017.

The estimated indexed 2017 BPA would save all Manitoba taxpayers approximately \$11.6 million in 2017.

Manitoba joins seven other provinces and the federal government in indexing the BPA.

For more information, please contact Location B, page C5.

Projected Indexed Taxable Income Ranges in 2017 and Average Tax Savings

Rate	Taxable Income Range 2016	Taxable Income Range Projected 2017	Average Individual Income Tax Savings ¹
10.8%	\$0 – \$31,000	\$0 – \$31,535	-
12.75%	\$31,001 – \$67,000	\$31,536 – \$68,156	\$10
17.4%	over \$67,000	over \$68,156	\$67

¹ Estimated value based on indexing tax brackets only.

Seniors' School Tax Rebate

2016/17 expenditure impact: -\$44.5 million

For the 2016 and subsequent property tax years, the maximum Seniors' School Tax Rebate (Rebate) limit of \$470 for eligible seniors is retained.

The Rebate will now be calculated on net school taxes paid after the Basic and Seniors' Education Property Tax Credits (EPTC) are taken into account. In addition, the Rebate will be reduced by 2.0% of net family income for senior households over \$40,000.

The Rebate will now be delivered as part of the annual income tax return. Administration of the Rebate through the income tax system will permit retroactive claims of up to three years, but no earlier than the 2016 Rebate.

Eligible seniors below the \$40,000 income-tested threshold will still be eligible for a full Rebate depending on net school tax paid. Senior households with a family net income of \$63,500 and over will no longer receive the Rebate.

The table below illustrates the implications of the changes to the Rebate for senior households. Estimates are shown for various senior household incomes, with the total school tax credits, including the Rebate and the Basic and Seniors' EPTC, and the net property taxes.

The average senior household will see a reduction in the Rebate as a result of these changes from approximately \$400 in 2015 to \$300 in 2016.

For example, a senior household with net family income of \$20,000 paying a property tax of \$2,500 (school tax of \$1,250) would receive a Rebate of approximately \$350. This would be in addition to the Basic EPTC of \$700 and the Seniors' EPTC of \$200 for a total tax credit of \$1,250. Net property taxes would be reduced from \$2,500 to \$1,250. This would fully offset all of the school taxes.

A senior household with net family income of \$40,000 paying a property tax of \$2,500 (school tax of \$1,250) would receive a Rebate of approximately \$470. This would be in addition to the Basic EPTC of \$700 for a total tax credit of \$1,170. Net property taxes would be reduced from \$2,500 to \$1,330. This would offset over 90% of the school taxes.

A senior household with net family income of \$50,000 paying a property tax of \$2,500 (school tax of \$1,250) would be income-tested on income above \$40,000. This would result in total tax credits of \$970. Net property taxes would be reduced from \$2,500 to \$1,530. This household will have 78% of their school taxes offset.

Approximately 34,500 senior homeowners are expected to benefit from the Rebate in 2016, which is over half of the total number of senior homeowners who claimed a Rebate in 2015. The total school tax savings for these individuals because of the Rebate is estimated to be \$10.8 million for the 2016 property tax year.

For more information, please contact Location B, page C5.

Illustration of Impact of Change to the Rebate (\$2,500 total property tax, \$1,250 school tax)

Senior Household Income	Basic EPTC	Seniors' EPTC	Seniors' Rebate	Total Credits	Net Property Tax
\$10,000	\$700	\$300	\$250	\$1,250	\$1,250
\$20,000	\$700	\$200	\$350	\$1,250	\$1,250
\$30,000	\$700	\$100	\$450	\$1,250	\$1,250
\$40,000	\$700	\$0	\$470	\$1,170	\$1,330
2% income-testing above \$40,000					
\$50,000	\$700	\$0	\$270	\$970	\$1,530
\$60,000	\$700	\$0	\$70	\$770	\$1,730
\$70,000	\$700	\$0	\$0	\$700	\$1,800

BUSINESS TAX MEASURES

Interactive Digital Media Tax Credit

The Interactive Digital Media Tax Credit will be reviewed to consider enhancements to the eligibility criteria, in particular, for larger digital media companies who establish a significant job-creating presence in Manitoba.

This refundable corporation income tax credit is currently targeted at companies that develop and produce eligible interactive digital media projects in Manitoba. The credit is equal to 40% of the remuneration paid to Manitobans on eligible projects approved by the Department of Growth, Enterprise and Trade.

For more information, please contact Location C, page C5.

Small Business Venture Capital Tax Credit

2016/17 revenue impact: -\$0.4 million

The Small Business Venture Capital Tax Credit, scheduled to expire December 31, 2016, will be extended three years to the end of 2019. The province will be reviewing the tax credit program parameters to improve accessibility for Manitoba companies.

This Credit promotes, among Manitoba-resident individuals and companies, the acquisition of equity capital in emerging enterprises that require larger amounts of capital than community ownership can provide.

For more information, please contact Location D, page C5.

Green Energy Equipment Tax Credit

2016/17 revenue impact: -\$1.4 million

Eligibility for the Green Energy Equipment Tax Credit will be expanded to include gasification equipment and equipment for co-generation of energy using biomass fuel.

This refundable tax credit is targeted at the production and purchase of machinery and equipment used to generate renewable energy in Manitoba. Geothermal heating equipment is currently eligible for a maximum 15% credit and solar thermal heating equipment is eligible for a 10% credit. As a result of these enhancements, gasification and biomass fuel energy equipment installed in Manitoba and used in a business are eligible for a 15% credit.

For more information, please contact Location A, page C5.

TECHNICAL AND ADMINISTRATIVE MEASURES

Enforcement and administration measures will be enhanced under *The Tax Administration and Miscellaneous Taxes Act* and *The Retail Sales Tax Act*.

For more information, please contact Location E, page C5.

TAX CREDIT REVIEW

Manitoba Finance will undertake a value-for-money review of the province's personal and business tax credit system. The review will consider the extent to which existing measures are effectively serving the needs of Manitobans and businesses.

CONTACTS FOR FURTHER INFORMATION

A) Fiscal Research Division Manitoba Finance

Telephone: 204-945-3757 in Winnipeg
Fax: 204-945-5051
e-mail: feedbackfin@gov.mb.ca

B) Manitoba Tax Assistance Office Manitoba Finance

Telephone: 204-948-2115 in Winnipeg
Toll-free: 1-800-782-0771 in Manitoba
Fax: 204-948-2263
e-mail: tao@gov.mb.ca

C) Science, Innovation and Business Development Division Manitoba Growth, Enterprise and Trade

Telephone: 204-945-0975 in Winnipeg
Fax: 204-945-3977
e-mail: avery.jodoiin@gov.mb.ca

D) Business Services Division Manitoba Growth, Enterprise and Trade

Telephone: 204-945-7343 in Winnipeg
Fax: 204-945-1193
e-mail: kristal.benton@gov.mb.ca

E) Taxation Division Manitoba Finance

Telephone: 204-945-5603 in Winnipeg
Toll-free: 1-800-782-0318 in Manitoba
Fax: 204-945-0896
e-mail: mntax@gov.mb.ca

For further information on government programs, contact Manitoba Government Inquiry by calling 204-945-3744 in Winnipeg or toll-free 1-866-626-4862 in Manitoba, or e-mail mgi@gov.mb.ca.

INTERPROVINCIAL COMPARISON OF TAX RATES

Figures are pre- and post-2016 provincial budgets. Data as of May 25, 2016.

	CAN	BC		AB		SK ¹		MB		
	2016	Pre	Post	Pre	Post	Pre	Post	Pre	Post	
Personal Income Tax										
Top Marginal Rate (%) ²	33.00	16.80	14.70	11.25	15.00	15.00	15.00	17.40	17.40	
Basic Personal Amount (\$) ⁴	11,474	9,938	10,027	18,214	18,451	15,639	15,843	9,134	9,292	
Health Care Premiums (\$)	-	864	900 ⁶	500	1000	-	-	-	-	
Health and Education Tax (%)	-	-	-	-	-	-	-	2.15	2.15	
Corporation Income Tax (%)										
Small	10.5	2.5	2.5	3.0	2.0 ⁷	2.0	2.0	0.0	0.0	
Large	15.0	11.0	11.0	10.0	12.0	12.0	12.0	12.0	12.0	
Manufacturing	-	11.0	11.0	10.0	12.0	10.0	10.0	12.0	12.0	
Small Business Limit (\$000)	500	500	500	500	500	500	500	425	450	
Capital Tax (%)										
Banks	-	-	-	-	-	3.25	3.25	6.00	6.00	
Small Financial Institutions	-	-	-	-	-	0.70	0.70	-	-	
Sales Tax (%)⁸	5.0	7.0	7.0	-	-	5.0	5.0	8.0	8.0	
Gasoline Tax (¢/l)	10.0	21.17	21.17	13.0	17.5 ⁹	15.0	15.0	14.0	14.0	
Diesel Fuel Tax (¢/l)	4.0	22.67	22.67	13.0	18.4 ⁹	15.0	15.0	14.0	14.0	
Tobacco Tax (¢/cigarette)	10.515	23.90	23.90	22.50	25.00	25.00	25.00	29.50	29.50	
Corporation Income Tax Credits										
Manufacturing (%)	-	-	-	-	-	5.0	5.0	10.0	10.0	
Research and Development (%)	35.0	10.0	10.0	10.0	10.0	10.0	10.0	20.0	20.0	

 Tax went up



Tax went down

- Not applicable

¹ SK is scheduled to present their 2016 budget on June 1, 2016.

² Top marginal provincial rates include surtaxes.

³ NL top marginal rate will increase to 16.8% on July 1, 2016 and 18.3% in 2017.

⁴ Post-budget BPA figures, for provinces that index, are estimated based on projections by Manitoba Finance.

⁵ Increased as a budget measure, not due to indexation.

⁶ BC Medical Services Plan premiums are increased by 4% January 1, 2017.

⁷ AB small business tax rate decreasing from 3% to 2% effective January 1, 2017.

⁸ The sales tax rate is the general rate for each province. In HST provinces, it is the provincial component of the harmonized sales tax.

⁹ AB fuel tax rate includes a carbon tax which is effective January 1, 2017.

¹⁰ NB tobacco tax will raise to 25.25 cents on February 1, 2017.

¹¹ ON research and development rate decreasing from 4.5% to 3.5% in 2018/19; Innovation Tax Credit decreasing from 10% to 8% in 2018/19.

ON		QC		NB		NS		PE		NL	
Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post	Pre	Post
20.53	20.53	25.75	25.75	25.75	20.30	21.00	21.00	18.37	18.37	14.30	16.8 ³
9,863	10,027	11,425	11,550	9,633	9,758	8,481	8,481	7,708	8,000 ⁵	8,767	8,802
900	900	1615	1625	-	-	-	-	-	-	-	-
1.95	1.95	4.26	4.26	-	-	-	-	-	-	2.00	2.00
4.5	4.5	8.0	8.0	4.0	4.0	3.0	3.0	4.5	4.5	3.0	3.0
11.5	11.5	11.9	11.9	12.0	14.0	16.0	16.0	16.0	16.0	14.0	15.0
10.0	10.0	11.9	11.9	12.0	12.0	16.0	16.0	16.0	16.0	5.0	5.0
500	500	500	500	500	500	350	350	500	500	500	500
-	-	-	-	4.00	5.00	4.00	4.00	5.00	5.00	4.00	5.00
-	-	-	-	-	-	-	-	-	-	-	-
8.0	8.0	9.975	9.975	8.0	10.0	10.0	10.0	9.0	10.0	8.0	10.0
14.7	14.7	19.2	19.2	15.5	15.5	15.5	15.5	13.1	13.1	16.5	33.0
14.3	14.3	20.2	20.2	21.5	21.5	15.4	15.4	20.2	20.2	16.5	21.5
13.98	15.475	14.90	14.90	19.00	22.26 ¹⁰	23.52	27.52	22.50	25.00	23.50	24.50
-	-	5.0	4.0	-	-	-	-	10.0	10.0	-	-
14.5	11.5 ¹¹	37.5	37.5	15.0	15.0	15.0	15.0	-	-	15.00	15.0

