

Budget Paper C

TAXATION ADJUSTMENTS

**INCLUDES
THE MANITOBA ADVANTAGE**

TAXATION ADJUSTMENTS

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■ SUMMARY OF 2010 TAX MEASURES

A negative number represents a tax saving to the taxpayer.

	2010/11	Full Year
	(Millions of Dollars)	
Ongoing Reductions ¹		
Personal Tax reductions	-0.5	-0.5
Business Tax reductions	-28.9	-40.0
Farmland School Tax Rebate increase deferred ²	2.0	2.0
	-27.4	-38.5
Personal Measures		
Tuition Fee Income Tax Rebate Advance introduced	-7.5	0.0 *
Fitness Tax Credit broadened	-0.3	-1.2
Fertility Treatment Tax Credit introduced	-0.4	-0.8
Changes Pursuant to the Tax Collection Agreement ³	2.5	3.5
	-5.7	1.5
Health Measures		
Tobacco Tax increased	18.0	18.0
Retail Sales Tax applied to Tanning Services	0.6	0.8
	18.6	18.8
Business Measures		
Research and Development Tax Credit enhanced	-1.5	-12.0
Co-op Education and Apprenticeship Tax Credits broadened	-0.2	-2.1
Changes Pursuant to the Tax Collection Agreement ³	-0.2	-0.5
Co-operative Development Tax Credit introduced	-0.1	-0.2
Credit Unions & Caisses Populaires Profits Tax introduced	0.3	0.8
Programs Extended:		
Film and Video Production Tax Credit (and enhanced)	0.0	-16.0
Small Business Venture Capital Tax Credit ⁴	-2.5	-10.0
Interactive Digital Media Tax Credit	-0.1	-0.1
	-4.3	-40.1
Total Changes, 2010 Budget	8.6	-19.8
Total Changes Including Ongoing Tax Reductions	-18.8	-58.3

* This measure advances in time a portion of the total cost of the Rebate so there is no change to the full-year cost.

1 Ongoing tax reductions are those that were announced in previous budgets to take effect in 2010:

(a) the increase in the Manitoba Mineral Exploration Tax Credit;

(b) the elimination of the Small Business Corporation Income Tax rate;

(c) the phase-out of the Corporation Capital Tax (excluding banks, trust and loan corporations and Crown corporations).

2 Expenditure program

3 Parallels 2010 Federal Budget changes pursuant to the Tax Collection Agreement

4 Formerly called the Community Enterprise Investment Tax Credit

■ PERSONAL MEASURES

Tuition Fee Income Tax Rebate Advance

(2010/11 revenue impact: \$-7.5 million)

The Tuition Fee Income Tax Rebate, introduced in Budget 2007, provides a rebate of 60% of eligible post-secondary tuition fees to graduates who live and work in Manitoba. To help address the financial pressures faced by students and their families, students will qualify for a portion of the Rebate while they are still in school.

Beginning in 2010, students resident in Manitoba and attending a post-secondary institution can claim a Tuition Fee Income Tax Rebate Advance in the form of a refundable 5% tax credit on tuition and ancillary fees paid after August 31, 2010.

The tax credit is claimable by a student even if the tuition and education amount is transferred to a parent or spouse. There is an annual cap of \$250 in 2010, and of \$500 in following years, and a lifetime cap of \$5,000 under the Advance. Amounts claimed as an Advance will reduce the lifetime maximum of \$25,000 under the Rebate following graduation.

Where an individual is claiming a Rebate in a given year, they are not eligible to claim the Advance.

For more information, contact Location B, page C8

Fitness Tax Credit

(2010/11 revenue impact: \$-0.3 million)

Currently, Manitoba's Children's Fitness Tax Credit applies to children up to and including age 15. Starting in 2011, the Fitness Tax Credit will be broadened to include claims for fitness activities by young adults ages 16 through 24. The annual cost of eligible fitness activities up to \$500, as defined under the federal legislation, can be claimed by the young adult, or by a spouse or parent. This will provide an annual benefit of up to \$54 per young adult. Young adults with a disability, on whose behalf at least \$100 is spent for qualifying fitness activities, will be eligible for an additional \$54 credit for a maximum tax credit of \$108, as is currently the case for children. The credits reduce Manitoba income tax otherwise payable for a year.

The full-year revenue impact is estimated at \$-1.2 million.

For more information, contact Location B, page C8

Fertility Treatment Tax Credit

(2010/11 revenue impact: \$-0.4 million)

The Fertility Treatment Tax Credit is a refundable personal income tax credit equal to 40% of fertility treatment costs paid to an accredited clinic in Manitoba and for prescription drugs, net of any reimbursements such as private health care coverage, related to the treatment of a Manitoba resident. Up to \$20,000 in annual eligible costs incurred and paid after September, 2010, may be claimed for a maximum credit of \$8,000.

Eligible costs must be claimable as a medical expense under federal income tax rules. The Credit can be shared with a spouse or common law partner.

The full-year revenue impact is estimated at \$-0.8 million.

For more information, contact Location B, page C8

■ HEALTH MEASURES

Tobacco Tax

(2010/11 revenue impact: \$18.0 million)

The Tobacco Tax is increased effective midnight, March 23, 2010. The rate will rise on cigarettes from 18.5¢ to 20.5¢ per cigarette; on fine-cut tobacco from 17.5¢ to 19.5¢ per gram; and on raw leaf tobacco from 16¢ to 18¢ per gram.

The full-year revenue impact of this tax increase is estimated at \$18.0 million.

For more information, contact Location C, page C8

Retail Sales Tax – Tanning Services

(2010/11 revenue impact: \$0.6 million)

Studies show that indoor tanning among people under the age of 30 increases the risk for skin cancer (melanoma) and the Canadian Dermatology Association has recently launched a campaign to raise awareness of the risks.

Effective July 1, 2010, retail sales tax will be applied to tanning services.

The full-year revenue impact of this tax measure is estimated at \$0.8 million.

For more information, contact Location C, page C8

■ BUSINESS MEASURES

Research and Development Tax Credit

(2010/11 revenue impact: \$-1.5 million)

As announced in Budget 2009 and to promote co-operation between corporations and research institutes, the 20% Research and Development Tax Credit is fully refundable for scientific research and experimental development expenditures (R&D) carried on in Manitoba under an eligible contract with a qualifying research institute in Manitoba.

Budget 2010 extends refundability of this tax credit to in-house R&D expenditures (i.e. R&D not undertaken under contract with an institute in Manitoba) as follows:

- starting with 2011, one-quarter of the credit for in-house R&D will be refundable;
- starting with 2012, one-half of the credit for in-house R&D will be refundable.

The full-year revenue impact of these measures is \$-12.0 million.

For more information, contact Location A, page C8

Co-op Education and Apprenticeship Tax Credits

(2010/11 revenue impact: \$-0.2 million)

The Co-op Education and Apprenticeship Tax Credits were introduced in 2003 to encourage employers to hire co-op education students from post-secondary institutions. They have been extended in stages to include co-op graduates, newly certified journeypersons and advanced level apprentices.

Starting in 2011, the tax credit is broadened to include employers who hire high-school and post-secondary Level 1 and 2 apprentices, but who are not eligible for the federal Apprenticeship Job Creation Tax Credit. This includes tax-exempt employers as well as taxable employers of non-Red-Seal apprentices. The Manitoba tax credit will be equal to 10% of net wages and salaries paid to an apprentice, up to a maximum \$2,000 credit.

The full-year revenue impact is estimated at \$-2.1 million.

For more information, contact Location F, page C8

Co-operative Development Tax Credit

(2010/11 revenue impact: \$-0.1 million)

To grow the co-operative sector, a tax credit is introduced for co-operatives that make financial contributions toward co-operative development in Manitoba. Contributions to a fund managed by the Manitoba Cooperative Association will be used for the provision of technical assistance, the co-ordination of existing supports and services, and the provision of small grants and strategic investments.

Program details will be announced later in 2010. Contributions made after September 2010 will be eligible for the tax credit.

The full-year revenue impact of this tax credit is estimated at \$-0.2 million.

For more information, contact Location A, page C8

Credit Unions and Caisses Populaires Profits Tax

(2010/11 revenue impact: \$0.3 million)

Credit unions and caisses populaires are mainly taxed at the small business tax rate, regardless of how large they are. With the elimination of Manitoba's small business income tax on December 1, 2010, credit unions and caisses populaires would become largely exempt from Manitoba income tax.

Commencing January 1, 2011, credit unions and caisses populaires with a permanent establishment in Manitoba will be subject to a 1% profits tax on taxable income in excess of \$400,000. Profits will be defined as Manitoba taxable income as determined under federal income tax. The profits tax will be reduced by the amount of Manitoba income tax paid or payable in that year. A 1% tax on profits in excess of the small business limit of \$400,000 will leave larger credit unions paying less tax than in 2010, but more than zero. Many smaller entities which in 2010 paid 1% on all their taxable income will now pay no Manitoba income or profits tax, due to the \$400,000 exemption.

Where a credit union's or caisse populaire's taxation year straddles January 1, 2011, it will calculate profits proportioned by the number of days in that year following December 31, 2010.

Credit union centrals, caisses populaires federations and deposit guarantee corporations are exempt.

A profits tax return must be filed no later than six months after the end of a fiscal year. The profits tax will be collected and administered by Taxation Division, Manitoba Finance.

The full-year revenue impact of this measure is estimated at \$0.8 million.

For more information, contact Location C, page C8

Film and Video Production Tax Credit

(2010/11 revenue impact: not applicable)

The Manitoba Film and Video Production Tax Credit, which was set to expire March 1, 2011, is extended to March 1, 2014.

Starting with productions which commence principal photography after March 2010, production companies will be able to elect to claim either the maximum 65% film tax credit based on eligible labour costs or a new 30% tax credit 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 revenue impact of this measure is estimated at \$-1.7 million.

The following changes are also proposed, effective March 24, 2010:

- production companies may file Form T2029, Waiver in Respect of the Normal Reassessment Period, to extend their application deadline by 18 months;
- amendments to the governing legislation will be made to provide the Province with greater flexibility to make changes in response to external changes;
- federal limitation periods will be adopted for filing a Manitoba film tax credit certificate with the Canada Revenue Agency.

The full-year revenue impact of these measures is estimated at \$-16.0 million.

For more information, contact Location D, page C8

Small Business Venture Capital Tax Credit

(2010/11 revenue impact: \$-2.5 million)

The Community Enterprise Investment Tax Credit, which was set to expire December 31, 2010, is extended to December 31, 2013 and it is renamed the Small Business Venture Capital Tax Credit. The program will be amended to prioritize economic development in accordance with Provincial objectives. Additionally, administrative changes will be made that correspond to other tax credit programs.

The full-year revenue impact is estimated at \$-10.0 million.

For more information, contact Location E, page C8

Interactive Digital Media Tax Credit

(2010/11 revenue impact: \$-0.1 million)

The Interactive Digital Media Tax Credit, which was set to expire December 31, 2010, is extended to December 31, 2013.

The following changes are also proposed, effective for certificates of eligibility and tax credit certificates issued after March 23, 2010:

- tax credit certificates can be issued on a taxation-year basis instead of at the end of a project;
- repaid or repayable government assistance will no longer reduce eligible labour costs; and
- where a government or public authority is the purchaser of an interactive digital media product, the amount paid by the purchaser and the amount of the Interactive Digital Media Tax Credit cannot exceed 100% of the project's costs.

The full-year revenue impact is estimated at \$-0.1 million.

For more information, contact Location G, page C8

■ OTHER CHANGES

Farmland School Tax Rebate

(2010/11 expenditure impact: \$-2.0 million)

In 2004, the Farmland School Tax Rebate was introduced as a 33% Provincial rebate of school division taxes on farmland. Since 2004 the rebate has increased to 75%. The scheduled increase to 80% in 2010 is deferred, with the rate remaining at 75% instead. At a 75% rate, the rebate will provide tax savings of \$32.8 million for Manitoba's farm community. The rebate does not reduce the amount of revenue collected by school divisions.

The full-year expenditure impact of this deferral is estimated at \$-2.0 million.

For more information, contact Location H, page C8

■ CHANGES PURSUANT TO THE TAX COLLECTION AGREEMENT

The following measures parallel income tax changes announced in the federal 2010 budget. The full-year revenue impact of these measures is estimated to be \$3.3 million.

Personal Tax Measures

(2010/11 revenue impact: \$2.5 million)

- Beginning in 2010, a single parent benefits from the option of having the Universal Child Care Benefit treated as income of the dependent child.
- Beginning in 2010, a deceased person's Registered Retirement Savings Plan proceeds may be rolled over to the Registered Disability Savings Plan of a financially dependent infirm child or grandchild.
- Changes to the tax treatment of employee stock options are made to eliminate double deduction, limit deferrals and ensure that tax does not exceed the proceeds of disposition in cases where the value of the securities granted declines before they are taxed.

For more information, contact Location L, page C8

Business Tax Measures

(2010/11 revenue impact: \$-0.2 million)

- Interest on overpaid income taxes, currently set at two percentage points above the government T-Bill rate, will no longer have the two percentage point premium.

For more information, contact Location L, page C8

■ TECHNICAL AND ADMINISTRATIVE MEASURES

- To facilitate compliance with Provincial mandates and make Manitoba-made biodiesel more competitive with biodiesel produced in other jurisdictions, the following measures will be implemented:
 - replacement of the 11.5¢ per litre motive fuel tax exemption with a production grant payable from a biodiesel fund financed from a portion of motive fuel tax revenue;
 - provision of legislative authority to retroactively exempt certain parts of the province from the ethanol and biodiesel mandates and to exempt certain fuel suppliers from the mandates.

For more information contact Location K, page C8

- Transfers between a registered charity and its wholly controlled non-profit organization will be exempt from Land Transfer Tax on transfers of title registered after June 1, 2010.

For more information contact Location J, page C8

- The Book Publishing Tax Credit will be amended by removing the public policy provision as it pertains to the definition of an eligible book.

For more information contact Location I, page C8

- To reduce paperwork and tax administration costs for business, the following measures will be implemented:
 - elimination of the requirement for small businesses, with under \$10,000 in annual taxable sales, to register and collect retail sales tax;
 - amalgamation of *The Gasoline Tax Act* and *The Motive Fuel Tax Act* into *The Fuel Tax Act*.

For more information contact Location C, page C8

- To encourage the use of recycled products, a sales tax exemption will be implemented for shredded tires purchased by municipalities.

For more information contact Location C, page C8

- The Vehicle Valuation Program will be expanded to include private purchases of motorcycles, all-terrain vehicles and snowmobiles.

For more information contact Location C, page C8

- Enhanced enforcement measures are implemented under *The Tax Administration and Miscellaneous Taxes Act*.

For more information contact Location C, page C8

- The Riparian Tax Credit is extended for an intake group running from 2010 to 2014.

For more information contact Location B, page C8

■ CONTACTS FOR FURTHER INFORMATION

A	<i>Taxation, Economic and Intergovernmental Fiscal Research Division, Manitoba Finance</i>	Telephone: 204-945-3757 Fax: 204-945-5051 e-mail: fedprov@gov.mb.ca
B	<i>Manitoba Tax Assistance Office, Manitoba Finance</i>	Telephone: 204-948-2115 in Winnipeg Toll-free: 1-800-782-0771 Fax: 204-948-2263 e-mail: tao@gov.mb.ca
C	<i>Taxation Division, Manitoba Finance</i>	Telephone: 204-945-5603 in Winnipeg Toll-free: 1-800-782-0318 Fax: 204-945-0896 e-mail: mbtax@gov.mb.ca
D	<i>Manitoba Film and Music Recording Development Corporation</i>	Telephone: 204-947-2040 Fax: 204-956-5261 e-mail: explore@mbfilmmusic.ca
E	<i>Financial Services, Business Services Division, Manitoba Entrepreneurship, Training and Trade</i>	Telephone: 204-945-5839 Fax: 204-945-1193 Web: www.gov.mb.ca/ctt/busdev/financial
F	<i>Apprenticeship Manitoba, Manitoba Entrepreneurship, Training and Trade</i>	Telephone: 204-945-3337 in Winnipeg Toll-free: 1-877-978-7233 Fax: 204-948-2346 e-mail: apprenticeship@gov.mb.ca Web: www.gov.mb.ca/tce/apprent/future/apprent_taxcredit
G	<i>Knowledge Enterprises Branch, Manitoba Innovation, Energy and Mines</i>	Telephone: 204-945-0589 Fax: 204-945-3977 e-mail: newmediainquiries@gov.mb.ca
H	<i>Manitoba Agricultural Services Corporation</i>	Telephone: 204-726-7068 Fax: 204-726-6849 e-mail: fstr@masc.mb.ca Web: www.masc.mb.ca
I	<i>Arts Branch, Manitoba Culture, Heritage and Tourism</i>	Telephone: 204-945-3847 Fax: 204-948-1684 e-mail: artsbranch@gov.mb.ca
J	<i>Manitoba Land Titles</i>	Telephone: 204- 945-2042 (Winnipeg) Fax: 204- 948-2140 (Winnipeg) For other locations, see: Web: www.gov.mb.ca/tpr/land_titles/surveys/docs/faq_lto.pdf
K	<i>Energy Development Initiative Biofuels Office, Manitoba Innovation, Energy and Mines</i>	Telephone: 204-945-7392 Toll-free: 1-866-444-4207 Fax: 204-943-0031 e-mail: ethanol@gov.mb.ca
L	<i>Canada Revenue Agency</i>	Toll-free: 1-800-959-8281 for individuals 1-800-959-5525 for businesses

■ PERSONAL TAX SAVINGS SINCE 1999

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Cumulative Annual Totals
	(Millions of Dollars)												(Millions of Dollars)
Income Tax Reductions													
BUDGET													
2000	9	68	34										111
2001		29	7	18									54
2002			15										15
2003					39								39
2005							30						30
2006							8	34					42
2007								25	51	28	16		120
2008									1	24	11		36
2010											3	5	8
SUBTOTAL	9	97	56	18	39	0	38	59	52	52	30	5	455
Property Tax Reductions¹													
BUDGET													
2000	26												26
2001		27											27
2002			10										10
2003				19									19
2004					23								23
2005						37							37
2006							39						39
2007								42	2	2			46
2008									25				25
2009										16			16
SUBTOTAL	26	27	10	19	23	37	39	42	27	18			268
Annual Totals	35	124	67	37	62	37	77	101	79	70	30	5	723
Cumulative Annual Totals	35	159	226	262	324	361	438	539	618	688	718	723	

Totals may not add due to rounding.

¹ Property tax reductions result from increases to the Education Property Tax Credit; implementation of, and subsequent increases in the Farmland School Tax Rebate; and reductions in the Residential Education Support Levy, which was phased out completely in 2006.

■ MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income	Tax payable		Tax Savings in 2010	2010 Savings over 1999 (Percentage)	Cumulative Savings over 11 Years (Dollars)
	1999	2010			
	(Dollars)				
SINGLE PERSON¹					
10,000	88	-73	161	182.1%	1,214
20,000	1,369	1,127	242	17.7%	2,020
40,000	4,012	3,347	665	16.6%	5,086
70,000	9,153	7,267	1,886	20.6%	13,437
100,000	14,572	12,487	2,085	14.3%	15,562
FAMILY OF FOUR – ONE EARNER¹					
25,000	411	-132	543	132.1%	4,262
40,000	2,861	1,851	1,010	35.3%	7,751
60,000	6,625	4,593	2,032	30.7%	15,461
75,000	9,435	7,023	2,412	25.6%	17,958
100,000	13,951	11,616	2,335	16.7%	17,248
FAMILY OF FOUR – TWO EARNERS¹					
30,000	533	133	399	74.9%	3,463
40,000	1,360	904	457	33.6%	4,187
60,000	4,107	3,261	846	20.6%	7,431
80,000	7,169	5,684	1,485	20.7%	12,045
100,000	10,188	8,205	1,984	19.5%	15,355
SENIOR COUPLE²					
30,000	39	-316	355	910.4%	2,980
40,000	1,667	823	845	50.7%	5,526
60,000	5,635	3,450	2,185	38.8%	12,893
80,000	8,893	6,495	2,397	27.0%	15,485

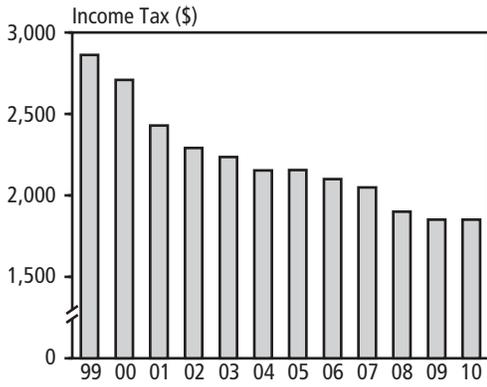
1 It is assumed that taxpayers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxpayer earns 60% of the income and the other earns 40% and pay child-care fees. The Children's Fitness Tax Credit is also claimed for one child in both family examples. Where applicable, the tax payable has been reduced by the Personal Tax Credit.

2 For the senior couple example, it is assumed that both receive the Old Age Security Pension and only one spouse receives private pension income. The ability to split private pension income was offered beginning with 2007 therefore, for 2007 to 2010, it is assumed that private pension income is split 50/50.

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

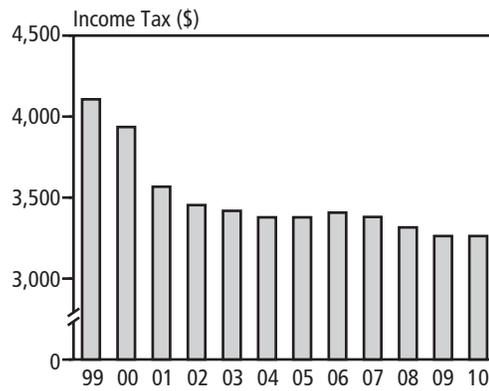
MANITOBA INCOME TAX SINCE 1999

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



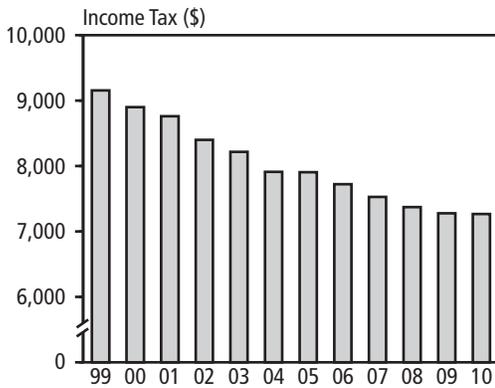
Source: Manitoba Finance

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



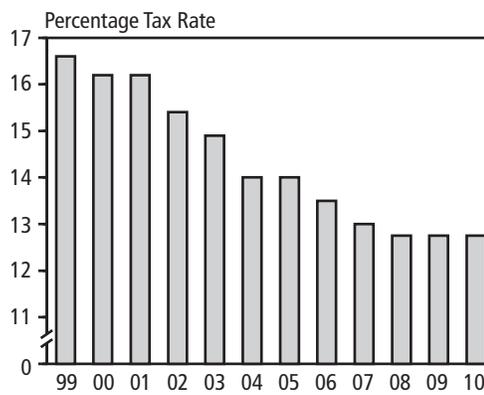
Source: Manitoba Finance

Single Individual at \$70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

■ 2010 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rates applicable on December 31, 2010. Data as of March 23, 2010.

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%) ¹	14.70	10.00	15.00	17.40	17.41
Health Care Premiums (\$) ²	1,368	----	----	----	0 to 900
Employer Payroll Tax (%) ³	----	----	----	2.15	1.95
Corporation Income Tax (%)					
Small	2.50	3.00	4.50	0.00	4.50
Large	10.50	10.00	12.00	12.00	12.00
Manufacturing	10.50	10.00	10.00	12.00	10.00
Small business threshold (\$000)	500	500	500	400	500
Capital Tax (%)⁴	----	----	----	----	----
Banks	----	----	3.25	3.00	----
Sales Tax (%)⁵	7.00	----	5.00	7.00	8.00
Gasoline Tax (¢/l)⁶	14.50	9.00	15.00	11.50	14.70
Diesel Fuel Tax (¢/l)⁷	15.00	9.00	15.00	11.50	14.30
Tobacco Tax (¢/cigarette)⁸	18.50	20.00	18.30	20.50	12.35
Corporation Income Tax Credits					
Manufacturing (%) ⁹	----	----	5.00	10.00	----
Research & Development (%) ¹⁰	10.00	10.00	15.00	20.00	10.00

¹ Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket.

² The premium for BC is the family rate; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of \$20,000 or less the premium is zero and the maximum premium of \$900 is reached at an income of \$200,600. The premiums for the QC Prescription Drug Plan are based on income and are a maximum of \$585 for a single person and \$1,170 for a family.

³ MB exempts firms with payrolls of less than \$1.25 million. ON exempts firms with payrolls of less than \$400,000. QC has graduated rates for firms with payrolls of under \$5 million. NL exempts firms with payrolls of less than \$1 million.

⁴ QC has a \$1 million exemption and graduated rate reductions for the range between \$1 million and \$4 million. NS has a \$5 million exemption.

⁵ Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of QST- and GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax. ON and BC harmonize their sales taxes July 1, 2010.

■ FEDERAL AND MANITOBA INCOME TAX RATES, 2010

Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
15%	\$0 – \$40,970	10.8%	\$0 – \$31,000
22%	\$40,971 – \$81,941	12.75%	\$31,001 – \$67,000
26%	\$81,942 – \$127,021	17.4%	over \$67,000
29%	over \$127,021		

QC	NB	NS	PE	NL	
19.22	14.30	19.25	18.37	15.50	Personal Income Tax
0 to 1,170	----	----	----	----	Top Marginal Rate (%) ¹
4.26	----	----	----	2.00	Health Care Premiums (\$) ²
					Employer Payroll Tax (%) ³
					Corporation Income Tax (%)
8.00	5.00	5.00	1.00	5.00	Small
11.90	11.00	16.00	16.00	14.00	Large
11.90	11.00	16.00	16.00	5.00	Manufacturing
500	500	400	500	500	Small business threshold (\$000)
0.12	----	0.10	----	----	Capital Tax (%) ⁴
0.48	3.00	4.00	5.00	4.00	Banks
7.50	8.00	8.00	10.00	8.00	Sales Tax (%) ⁵
15.20	10.70	15.50	15.80	16.50	Gasoline Tax (¢/l) ⁶
16.20	16.90	15.40	20.20	16.50	Diesel Fuel Tax (¢/l) ⁷
10.30	11.75	21.52	22.45	18.00	Tobacco Tax (¢/cigarette) ⁸
					Corporation Income Tax Credits
5.00	----	----	10.00	----	Manufacturing (%) ⁹
----	15.00	15.00	----	15.00	Research & Development (%) ¹⁰

⁶ Provincial gasoline taxes are fixed rates per litre. PE includes both a variable (maximum of 8.7¢/l) and a fixed (7.1¢/l) gasoline tax. Victoria and Montréal levy an additional 3.5¢/l and 1.5¢/l local tax, respectively, on gasoline. Greater Vancouver's total tax, including a local levy, is 23.50¢. BC imposes a carbon tax of 3.33¢/l. 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 and NL levy provincial sales tax on the pump price. ON sales tax will apply after harmonization on July 1, 2010.

⁷ 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. Victoria and Montréal levy an additional 3.5¢/l and 1.5¢/l local tax, respectively, on diesel fuel. Greater Vancouver's total tax, including a local levy, is 24.00¢. BC imposes a carbon tax of 3.84¢/l. 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 and NL levy provincial sales tax on the pump price. ON sales tax will apply after harmonization on July 1, 2010.

⁸ SK, MB, NB, NS and NL apply sales tax to all tobacco products. ON and BC sales tax will apply to tobacco products after harmonization on July 1, 2010.

⁹ SK's credit is fully refundable. 70% of MB's credit is refundable. QC's credit is fully refundable if under \$250 million of taxable capital. PE's credit is non-refundable. NS has a Manufacturing and Processing Investment Credit of 10% of eligible costs not delivered through the tax system.

¹⁰ BC's credit is refundable for Canadian-controlled private corporations for expenditures up to \$3 million. AB's maximum credit is \$400,000. AB, SK, ON, NB, NS, and NL's credits are refundable. MB's credit is fully refundable for specified qualified expenditures starting 2010 and partially refundable for in-house R&D starting 2011.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate	18.0%	12.0%
Small Business Rate	11.0%	0.0%*
Small Business Threshold	\$500,000	\$400,000

* effective December 1, 2010

■ Appendix 1: MANITOBA TAX EXPENDITURES 2009/10

Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results. 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

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature, and are published annually in the public accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results. There are no formal accounting guidelines for tax expenditures. 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 other tax expenditures. 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, payroll tax, retail sales tax, fuel taxes and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2009/10 fiscal year. They do not include measures announced in the 2010 Budget or measures announced in previous budgets for implementation after 2009/10. Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. Examples include the Education Property Tax Credit and the Personal Tax Credit. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS

	2009/10 (millions of dollars)
Education Property Tax Credit (including the Advance)	264.9
Personal Tax Credit	42.0
Farmland School Tax Rebate	32.8
School Tax Credit for Tenants and Homeowners (55+)	1.8
Political Contribution Tax Credit (for individuals only)	1.0
Community Enterprise Development Tax Credit	0.2
Riparian Tax Credit	0.1
TOTAL	342.8

MANITOBA TAX EXPENDITURES, 2009/10

(Millions of Dollars)

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

Contributions to RRSPs	144.0
Capital gains inclusion rate	63.8
Contributions to RPPs	75.5
Lifetime capital gains exemption	21.1
Social assistance, WCB, and OAS/GIS (non-taxable income)	18.2
Union dues and professional fees	16.5
Child-care expenses	11.7
Pension income splitting	12.5
Northern Residents Deduction	6.0
Moving expenses	2.3
Scholarship and bursary income exemption	1.0
Tradespeople's tool expense	0.4
Tax-Free Savings Account	1.2

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

Basic personal	617.4
CPP/EI	104.7
Family Tax Benefit	59.7
Charitable donations	65.3
Age	34.1
Tuition fees and education amount (\$400/month)	28.0
Medical expenses	30.4
Spousal	21.8
Eligible dependant	16.0
Disability	14.3
Private pension	9.3
Caregiver	1.4
Student loan interest	1.1
Infirm dependants	0.1

(c) Other Manitoba Tax Measures

Tuition Fee Income Tax Rebate	17.7
Children's Fitness Tax Credit	3.0
Foreign Tax Credit	3.2
Mineral Exploration Tax Credit	1.1
Primary Caregiver Tax Credit	4.6
Overseas Employment Tax Credit	0.5
Labour-sponsored Venture Capital Corporations Tax Credit	1.3
Adoption Expenses Tax Credit	0.1

CORPORATION INCOME TAX

Low rate for small business	131.5
Manufacturing Investment Tax Credit	23.2
Film and Video Production Tax Credit	16.0
Research and Development Tax Credit	15.8
Small Business Venture Capital Tax Credit	5.0
Green Energy Equipment Tax Credit	2.4
Book Publishing Tax Credit	0.6
Co-op Education and Apprenticeship Tax Credits	1.1
Interactive Digital Media Tax Credit	0.1
Odour Control Tax Credit	0.1

PAYROLL TAX

\$1.25 million exemption	127.9
Exemption for interjurisdictional common carriers	12.9

RETAIL SALES TAX**Exemptions and Refund Programs**

Groceries	160.1
Farm machinery and repairs	45.4
Farm and organic fertilizer	23.2
Prescription drugs and medicine	21.4
Books, free magazines and newspapers, and school yearbooks	17.6
Farm pesticides and herbicides	18.4
Medical supplies, appliances and equipment	14.1
Electricity used for manufacturing or mining	11.6
Natural gas for residential heating	12.6
Water supplied by a municipality	12.1
Children's clothing and footwear	11.1
Custom software and computer programming	7.3
Vehicle trade-ins	5.6
Toll-free calls	5.8
Electricity for residential heating	6.7
Vehicle private buy/sell refunds	3.1
Direct agents and qualifying items used in manufacturing a product for sale – including drill bits and explosives used in the mining industry	3.0
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use)	1.6
Qualifying geophysical survey and explorations equipment, drill rigs and well servicing equipment used in oil and gas exploration and development	1.5
Feminine hygiene products	1.2
Mobile, ready-to-move and modular homes (point of sale reduction)	0.9
Films for public broadcast	0.4

RETAIL SALES TAX (Continued)

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	37.7
Ethanol grant	23.6
International cargo flight refunds	0.2
Biodiesel exemption	0.1

CORPORATION CAPITAL TAX

Capital deduction	24.4
Manufacturers exemption	26.9
Credit unions and caisses populaires exemption	14.7
Co-operatives exemption	0.7

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.

Source: Manitoba Finance, March 15, 2010

■ Appendix 2: THE MANITOBA ADVANTAGE

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
- a favourable business cost environment, including competitive office and land costs, reasonable construction costs and affordable taxes
- modern and extensive communications infrastructure
- an extensive network of R&D facilities, supporting innovation and productivity
- a convenient mid-continent location in the North American central time zone
- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea, enhanced by new, major infrastructure investments planned over the next several years, including 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
- reliable and accessible public services, including quality universal public health care and education
- a culture of caring, with a history of high levels of charitable giving and community volunteering
- a dynamic cultural and artistic community
- 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, two analyses are provided. The interprovincial comparison of annual personal costs and taxes (see p.C22), compares provinces' living costs and tax levels for a variety of family types. 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.C33).

Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada. Manitoba remains one of the most affordable provinces in which to live, among the best three in total combined living costs and taxes for six representative families.

Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. Among representative North American cities, both small and large manufacturers in Brandon and Winnipeg rank at or near the best on start-up costs, net income, overall taxes and return on investment.

Celebrating Manitoba

Manitoba's vibrant arts and cultural assets range from opera to folk music, from Manitoba Theatre Centre, stage plays to the Fringe Festival, from the deep traditions of First Nations to the new-to-us traditions of Manitoba's many ethno-cultural groups. The province's renowned arts and cultural scene has much to offer in celebrating the spirit of Manitobans.

Just a few weeks ago, Canada's Olympic Games in Vancouver celebrated Canadian achievements in sport and culture. Manitoba's CentrePlace pavilion at the LiveCity Olympic site attracted over 100,000 visitors. The unique pavilion won a sustainability award and shared information about Manitoba and the Canadian Human Rights Museum.

Manitoba Homecoming 2010 hosted a Manitoba-style social the evening before Manitoba Day at the Olympics. Music by DJ Hunnicutt and Co-op, Doc Walker, Streetheart, Eagle & Hawk, Sierra Noble and Chic Gamine helped 900 people, including ex-Manitobans, athletes, tourists, friends and families celebrate Manitoba style. Over 30 Manitoba artists provided entertainment for the two-week Olympic events in Vancouver.

Manitoba Homecoming 2010 is a multi-partnership effort spearheaded by Destination Winnipeg, Travel Manitoba and the Manitoba Government. It's a year-long experience to bring former and current Manitobans together to celebrate Manitoba's many events, festivals and year-round fun. The World's Largest Social is scheduled for May 15, 2010 and will celebrate Manitoba's 140th birthday. So far, 60 communities around the province will be holding simultaneous socials for an estimated 30,000 people.

2010 Comparison of Personal Costs and Taxes

Single Person: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	869	1,134	1,428	1,514	773
Health Premiums	684	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>1,553</u>	<u>1,134</u>	<u>1,428</u>	<u>1,514</u>	<u>1,073</u>
Retail Sales Tax	386	0	198	310	531
Carbon Tax Credit	(105)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,834</u>	<u>1,134</u>	<u>1,626</u>	<u>1,824</u>	<u>1,605</u>
Rent	11,028	10,956	8,100	7,380	11,112
Electricity	309	668	553	324	554
Public Transit	832	921	758	792	1,364
Telephone	312	279	258	286	260
<u>Total Living Costs</u>	<u>12,480</u>	<u>12,823</u>	<u>9,670</u>	<u>8,782</u>	<u>13,290</u>
Total Personal Costs and Taxes	<u>14,314</u>	<u>13,958</u>	<u>11,296</u>	<u>10,606</u>	<u>14,895</u>
Single Parent One Child: \$30,000	BC	AB	SK	MB	ON
Provincial Income Tax	(391)	0	(442)	95	(898)
Health Premiums	490	0	0	0	300
<u>Subtotal PIT and Premiums</u>	<u>99</u>	<u>0</u>	<u>(442)</u>	<u>95</u>	<u>(598)</u>
Family/Employment Tax Credits	0	(694)	0	0	0
Child Benefits	0	0	0	0	(210)
Retail Sales Tax	502	0	258	403	691
Carbon Tax Credit	(210)	0	0	0	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>391</u>	<u>(694)</u>	<u>(184)</u>	<u>497</u>	<u>(118)</u>
Rent	11,028	10,956	8,100	7,380	11,112
Child Care	5,521	3,600	3,696	3,335	996
Electricity	309	668	553	324	554
Transit	832	921	758	792	1,364
Telephone	312	279	258	286	260
<u>Total Living Costs</u>	<u>18,001</u>	<u>16,423</u>	<u>13,366</u>	<u>12,117</u>	<u>14,286</u>
Total Personal Costs and Taxes	<u>18,392</u>	<u>15,729</u>	<u>13,181</u>	<u>12,615</u>	<u>14,169</u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	
					Single Person: \$30,000
1,198	1,718	1,778	2,005	1,566	Provincial Income Tax
578	0	0	0	0	Health Premiums
<u>1,776</u>	<u>1,718</u>	<u>1,778</u>	<u>2,005</u>	<u>1,566</u>	<u>Subtotal PIT and Premiums</u>
428	507	534	343	588	Retail Sales Tax
0	0	0	0	0	Carbon Tax Credit
<u>2,204</u>	<u>2,225</u>	<u>2,312</u>	<u>2,348</u>	<u>2,154</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
7,248	6,492	8,520	6,720	7,104	Rent
328	513	612	825	523	Electricity
658	705	766	649	775	Public Transit
260	266	303	296	266	Telephone
<u>8,494</u>	<u>7,976</u>	<u>10,201</u>	<u>8,491</u>	<u>8,668</u>	<u>Total Living Costs</u>
<u>10,697</u>	<u>10,201</u>	<u>12,513</u>	<u>10,839</u>	<u>10,822</u>	<u>Total Personal Costs and Taxes</u>
					Single Parent One Child: \$30,000
1,523	231	819	1,148	0	Provincial Income Tax
408	0	0	0	0	Health Premiums
<u>1,931</u>	<u>231</u>	<u>819</u>	<u>1,148</u>	<u>0</u>	<u>Subtotal PIT and Premiums</u>
(372)	0	0	0	0	Family/Employment Tax Credits
(2,823)	(323)	0	0	0	Child Benefits
556	659	694	446	764	Retail Sales Tax
0	0	0	0	0	Carbon Tax Credit
<u>(708)</u>	<u>567</u>	<u>1,513</u>	<u>1,594</u>	<u>764</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
7,248	6,492	8,520	6,720	7,104	Rent
1,820	2,922	4,170	3,652	7,094	Child Care
328	513	612	825	523	Electricity
658	705	766	649	775	Transit
260	266	303	296	266	Telephone
<u>10,314</u>	<u>10,898</u>	<u>14,371</u>	<u>12,143</u>	<u>15,762</u>	<u>Total Living Costs</u>
<u>9,606</u>	<u>11,465</u>	<u>15,884</u>	<u>13,736</u>	<u>16,527</u>	<u>Total Personal Costs and Taxes</u>

Sums may not add due to rounding.

2010 Comparison of Personal Costs and Taxes

One-Earner Family of 4: \$40,000	BC	AB	SK	MB	ON
Provincial Income Tax	810	625	(137)	2,034	141
Health Premiums	1,368	0	0	0	450
Subtotal PIT and Premiums	2,178	625	(137)	2,034	591
Family/Employment Tax Credits	0	(1,325)	0	0	0
Child Benefits	(56)	0	0	0	0
Property Tax Credits	(570)	0	0	(650)	(213)
Retail Sales Tax	949	0	542	871	1,381
Gasoline Tax	536	180	300	230	446
Carbon Tax Credit	(139)	0	0	0	0
Total Provincial Taxes, Credits and Premiums	2,898	(520)	705	2,485	2,205
Mortgage Costs	20,509	14,576	11,372	8,790	15,382
Property Taxes	3,698	2,011	2,947	2,629	3,296
Home Heating	1,404	920	1,208	1,361	1,198
Electricity	557	1,202	995	583	998
Auto Insurance	1,355	1,290	876	1,035	2,952
Telephone	312	279	258	286	260
Total Living Costs	27,835	20,278	17,656	14,684	24,086
Total Personal Costs and Taxes	30,733	19,758	18,361	17,169	26,291
One-Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,554	2,584	2,766	4,776	3,069
Health Premiums	1,368	0	0	0	600
Subtotal PIT and Premiums	3,922	2,584	2,766	4,776	3,669
Family/Employment Tax Credits	0	(1,325)	0	0	0
Child Benefits	(439)	0	0	0	0
Property Tax Credits	(570)	0	0	(650)	0
Retail Sales Tax	1,388	0	866	1,176	1,992
Gasoline Tax	536	180	300	230	446
Total Provincial Taxes, Credits and Premiums	4,836	1,439	3,932	5,532	6,107
Mortgage Costs	20,509	14,576	11,372	8,790	15,382
Property Taxes	3,698	2,011	2,947	2,629	3,296
Home Heating	1,404	920	1,208	1,361	1,198
Electricity	557	1,202	995	583	998
Auto Insurance	1,355	1,290	876	1,035	2,952
Telephone	312	279	258	286	260
Total Living Costs	27,835	20,278	17,656	14,684	24,086
Total Personal Costs and Taxes	32,671	21,717	21,588	20,216	30,194

Sums may not add due to rounding.

QC	NB	NS	PE	NL	
					One-Earner Family of 4: \$40,000
1,967	1,915	2,749	2,770	2,372	Provincial Income Tax
786	0	0	0	0	Health Premiums
<u>2,753</u>	<u>1,915</u>	<u>2,749</u>	<u>2,770</u>	<u>2,372</u>	<u>Subtotal PIT and Premiums</u>
(562)	0	0	0	0	Family/Employment Tax Credits
(3,136)	(250)	0	0	0	Child Benefits
(350)	0	0	0	0	Property Tax Credits
1,202	1,310	1,432	924	1,622	Retail Sales Tax
498	360	464	316	486	Gasoline Tax
0	0	0	0	0	Carbon Tax Credit
<u>405</u>	<u>3,335</u>	<u>4,645</u>	<u>4,010</u>	<u>4,480</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
9,192	8,350	7,837	5,860	7,636	Mortgage Costs
3,182	2,402	2,335	2,368	1,681	Property Taxes
1,780	1,416	1,117	1,995	1,814	Home Heating
591	923	1,013	1,485	941	Electricity
825	859	1,091	840	1,416	Auto Insurance
260	266	303	296	266	Telephone
<u>15,830</u>	<u>14,216</u>	<u>13,696</u>	<u>12,844</u>	<u>13,754</u>	<u>Total Living Costs</u>
<u>16,236</u>	<u>17,552</u>	<u>18,341</u>	<u>16,854</u>	<u>18,234</u>	<u>Total Personal Costs and Taxes</u>
					One-Earner Family of 4: \$60,000
5,378	4,708	5,717	5,490	4,900	Provincial Income Tax
1,155	0	0	0	0	Health Premiums
<u>6,533</u>	<u>4,708</u>	<u>5,717</u>	<u>5,490</u>	<u>4,900</u>	<u>Subtotal PIT and Premiums</u>
0	0	0	0	0	Family/Employment Tax Credits
(2,473)	(250)	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,640	1,895	1,797	1,291	2,082	Retail Sales Tax
498	360	464	316	486	Gasoline Tax
<u>6,198</u>	<u>6,713</u>	<u>7,978</u>	<u>7,097</u>	<u>7,468</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
9,192	8,350	7,837	5,860	7,636	Mortgage Costs
3,182	2,402	2,335	2,368	1,681	Property Taxes
1,780	1,416	1,317	1,995	1,914	Home Heating
591	923	1,013	1,485	941	Electricity
825	859	1,091	840	1,416	Auto Insurance
260	266	303	296	266	Telephone
<u>15,830</u>	<u>14,216</u>	<u>13,896</u>	<u>12,844</u>	<u>13,854</u>	<u>Total Living Costs</u>
<u>22,028</u>	<u>20,930</u>	<u>21,874</u>	<u>19,941</u>	<u>21,322</u>	<u>Total Personal Costs and Taxes</u>

Sums may not add due to rounding.

2010 Comparison of Personal Costs and Taxes

Two-Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,156	1,332	937	3,100	773
Health Premiums	1,368	0	0	0	300
Subtotal PIT and Premiums	2,524	1,332	937	3,100	1,073
Family/Employment Tax Credits	0	(1,325)	0	0	0
Child Benefits	(252)	0	0	0	0
Property Tax Credits	(570)	0	0	(650)	(93)
Retail Sales Tax	1,388	0	866	1,176	1,992
Gasoline Tax	804	270	450	345	669
Carbon Tax Credit	(19)	0	0	0	0
Total Provincial Taxes, Credits and Premiums	3,875	277	2,253	3,971	3,641
Mortgage Costs	20,509	14,576	11,372	8,790	15,382
Property Taxes	3,698	2,011	2,947	2,629	3,296
Child Care	16,442	13,200	11,952	9,776	8,000
Home Heating	1,404	920	1,208	1,361	1,198
Electricity	557	1,202	995	583	998
Auto Insurance	2,624	2,479	1,692	1,984	5,767
Telephone	312	279	258	286	260
Total Living Costs	45,546	34,667	30,424	25,409	34,901
Total Personal Costs and Taxes	49,420	34,944	32,678	29,380	38,543
Two-Earner Family of 5: \$75,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,820	2,214	1,689	4,226	1,724
Health Premiums	1,368	0	0	0	516
Subtotal PIT and Premiums	3,188	2,214	1,689	4,226	2,240
Family/Employment Tax Credits	0	(1,704)	0	0	0
Child Benefits	(688)	0	0	0	0
Property Tax Credits	(570)	0	0	(650)	0
Retail Sales Tax	1,752	0	1,009	1,572	2,396
Gasoline Tax	804	270	450	345	669
Total Provincial Taxes, Credits and Premiums	4,486	780	3,148	5,493	5,305
Mortgage Costs	25,014	17,281	11,793	11,561	22,066
Property Taxes	4,473	2,573	4,163	3,477	4,702
Child Care	24,663	20,952	17,928	14,485	12,500
Home Heating	2,340	1,533	2,013	2,268	1,997
Electricity	928	2,003	1,658	972	1,663
Auto Insurance	2,624	2,479	1,692	1,984	5,767
Telephone	312	279	258	286	260
Total Living Costs	60,354	47,100	39,505	35,033	48,955
Total Personal Costs and Taxes	64,839	47,880	42,654	40,526	54,260

Sums may not add due to rounding.

QC	NB	NS	PE	NL	
					Two-Earner Family of 4: \$60,000
4,762	2,519	2,669	3,045	2,568	Provincial Income Tax
1,155	0	0	0	0	Health Premiums
<u>5,917</u>	<u>2,519</u>	<u>2,669</u>	<u>3,045</u>	<u>2,568</u>	<u>Subtotal PIT and Premiums</u>
0	0	0	0	0	Family/Employment Tax Credits
(2,473)	(250)	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,640	1,895	1,797	1,291	2,082	Retail Sales Tax
747	540	696	474	729	Gasoline Tax
0	0	0	0	0	Carbon Tax Credit
<u>5,830</u>	<u>4,704</u>	<u>5,162</u>	<u>4,810</u>	<u>5,379</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
9,192	8,350	7,837	5,860	7,636	Mortgage Costs
3,182	2,402	2,335	2,368	1,681	Property Taxes
3,640	12,844	14,750	11,492	16,708	Child Care
1,780	1,416	1,317	1,995	1,914	Home Heating
591	923	1,013	1,485	941	Electricity
1,546	1,667	2,124	1,605	2,780	Auto Insurance
260	266	303	296	266	Telephone
<u>20,191</u>	<u>27,868</u>	<u>29,679</u>	<u>25,101</u>	<u>31,926</u>	<u>Total Living Costs</u>
<u>26,021</u>	<u>32,572</u>	<u>34,841</u>	<u>29,911</u>	<u>37,305</u>	<u>Total Personal Costs and Taxes</u>
					Two-Earner Family of 5: \$75,000
7,244	3,729	3,935	4,544	3,989	Provincial Income Tax
1,155	0	0	0	0	Health Premiums
<u>8,399</u>	<u>3,729</u>	<u>3,935</u>	<u>4,544</u>	<u>3,989</u>	<u>Subtotal PIT and Premiums</u>
0	0	0	0	0	Family/Employment Tax Credits
(2,918)	(146)	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,086	2,632	2,556	1,580	2,589	Retail Sales Tax
747	540	696	474	729	Gasoline Tax
<u>8,313</u>	<u>6,755</u>	<u>7,187</u>	<u>6,598</u>	<u>7,307</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
14,906	13,873	11,353	9,083	12,177	Mortgage Costs
5,342	4,502	3,382	3,670	2,706	Property Taxes
5,460	19,266	22,548	13,896	25,062	Child Care
2,967	2,360	2,195	3,325	3,190	Home Heating
985	1,538	1,688	2,475	1,568	Electricity
1,546	1,667	2,124	1,605	2,780	Auto Insurance
260	266	303	296	266	Telephone
<u>31,466</u>	<u>43,472</u>	<u>43,593</u>	<u>34,350</u>	<u>47,749</u>	<u>Total Living Costs</u>
<u>39,779</u>	<u>50,228</u>	<u>50,780</u>	<u>40,948</u>	<u>55,056</u>	<u>Total Personal Costs and Taxes</u>

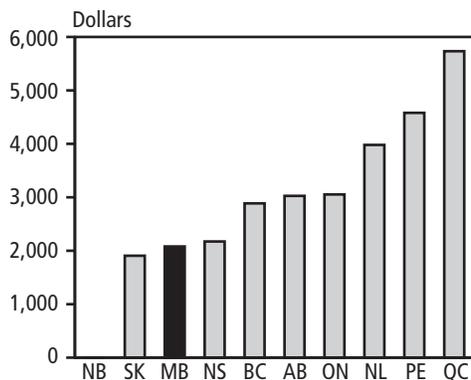
Sums may not add due to rounding.

2010 Comparison of Personal Costs and Taxes Net of Graduate Credits and Tuition Rebates

Single Person: \$50,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,199	3,026	3,904	4,578	2,455
Graduate Tuition/Credit Rebates	0	0	(2,000)	(2,500)	0
Health Premiums	684	0	0	0	600
Subtotal PIT, Credit and Premiums	2,883	3,026	1,904	2,078	3,055
Property Tax Credits	(570)	0	0	(650)	0
Retail Sales Tax	584	0	352	512	843
Gasoline Tax	536	180	300	230	446
Total Provincial Taxes, Credits and Premiums	3,434	3,206	2,556	2,169	4,344
Mortgage Costs	20,509	14,576	11,372	8,790	15,382
Property Taxes	3,698	2,011	2,947	2,629	3,296
Home Heating	1,404	920	1,208	1,361	1,198
Electricity	557	1,202	995	583	998
Auto Insurance	1,355	1,290	876	1,035	2,952
Telephone	312	279	258	286	260
Total Living Costs	27,835	20,278	17,656	14,684	24,086
Total Personal Costs and Taxes	31,268	23,484	20,213	16,854	28,431

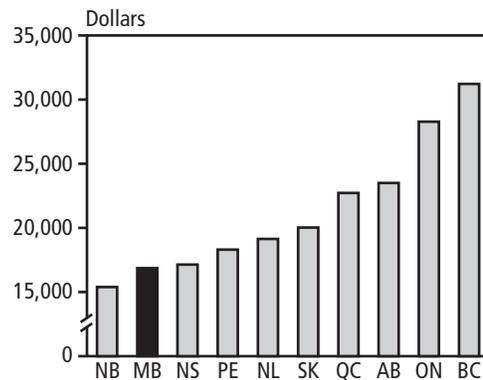
Sums may not add due to rounding.

Income Tax and Health Premiums, Net of Graduate Credits and Tuition Rebates



Source: Manitoba Finance

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



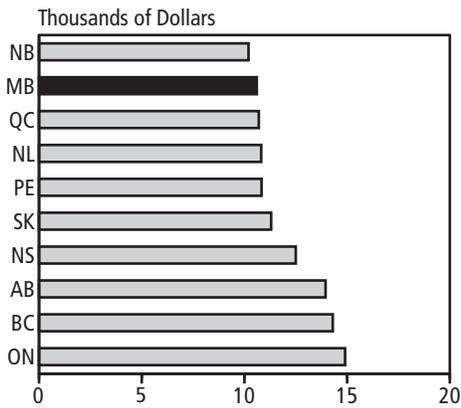
Source: Manitoba Finance

QC	NB	NS	PE	NL		Single Person: \$50,000
5,157	3,998	4,673	4,580	3,978		Provincial Income Tax
0	(3,998)	(2,500)	0	0		Graduate Tuition/Credit Rebates
578	0	0	0	0		Health Premiums
<u>5,734</u>	<u>0</u>	<u>2,173</u>	<u>4,580</u>	<u>3,978</u>		<u>Subtotal PIT, Credit and Premiums</u>
(50)	0	0	0	0		Property Tax Credits
711	801	807	554	926		Retail Sales Tax
498	360	464	316	486		Gasoline Tax
<u>6,893</u>	<u>1,161</u>	<u>3,444</u>	<u>5,450</u>	<u>5,390</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
9,192	8,350	7,837	5,860	7,636		Mortgage Costs
3,182	2,402	2,335	2,368	1,681		Property Taxes
1,780	1,416	1,117	1,995	1,814		Home Heating
591	923	1,013	1,485	941		Electricity
825	859	1,091	840	1,416		Auto Insurance
260	266	303	296	266		Telephone
<u>15,830</u>	<u>14,216</u>	<u>13,696</u>	<u>12,844</u>	<u>13,754</u>		<u>Total Living Costs</u>
<u>22,724</u>	<u>15,378</u>	<u>17,140</u>	<u>18,294</u>	<u>19,143</u>		Total Personal Costs and Taxes

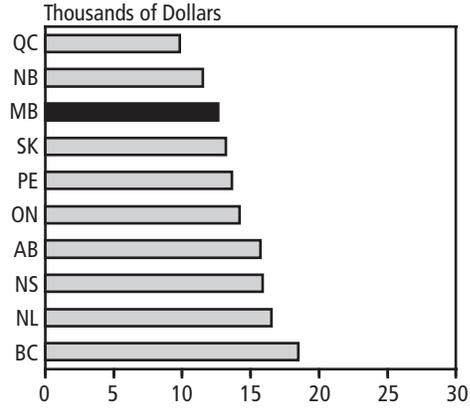
Sums may not add due to rounding.

2010 Comparison of Personal Costs and Taxes

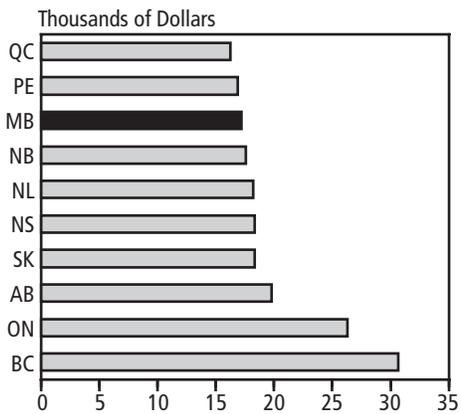
Single Person Earning \$30,000



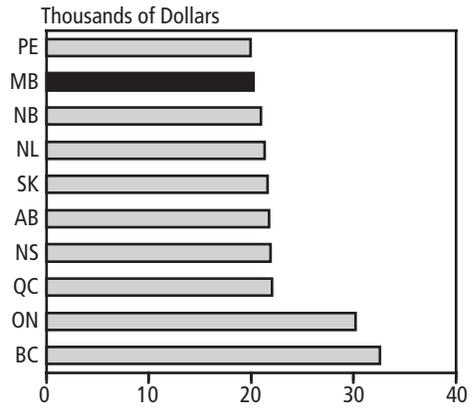
Single Parent Earning \$30,000



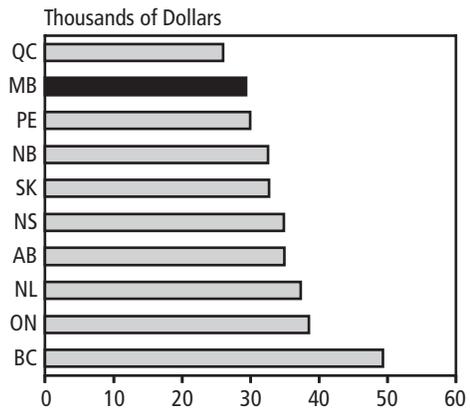
Single-Earner Family of Four Earning \$40,000



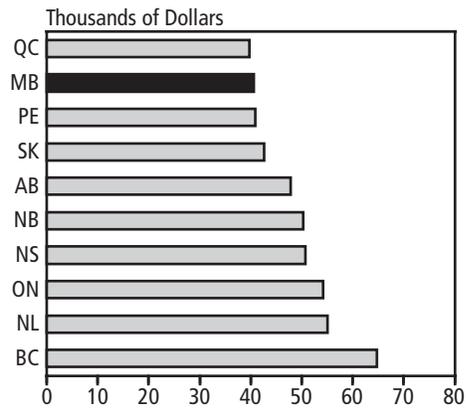
Single-Earner Family of Four Earning \$60,000



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



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



■ NOTES

Provincial taxes,¹ credits and premiums are based on information available prior to March 23, 2010, for the following major urban centres in each province: Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montréal, Saint John, Halifax, Charlottetown and St. John's.

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. The driver is married, age 35, has been accident- and conviction-free for 15 or more years; and the auto is driven to work and school on a limited commuting basis. Rates were provided by the Insurance Corporation of British Columbia for British Columbia, SGI Canada for Saskatchewan, and Manitoba Public Insurance for Manitoba. 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 2000 Dodge Caravan and the 2003 Chevrolet Malibu are used in these examples, two of the more common vehicles driven in Manitoba. The single-earner families of four at \$40,000 and \$60,000 insure the Malibu, while the two-earner family of four at \$60,000 and the two-earner family of five at \$75,000 insure both the Malibu and the Caravan.

Child Care costs are based on annual parent fees, less subsidies paid, 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 and Quebec are the only provinces with regulated maximum parent fees. Fees for other provinces are those obtained online and/or in a survey conducted in the first quarter of 2010.

Electricity charges are based on annual consumption of 8,100 kWh for a detached bungalow for families with \$40,000 and \$60,000 of income. Annual consumption of 4,500 kWh is used for the single person and single parent renters and 13,500 kWh for the family at \$75,000. Rates do not include municipal taxes or charges.

Gasoline Tax is based on annual consumption of 2,000 litres for the single-vehicle families 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. Sales tax is based on pump prices as of December 15, 2009.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them. Quebec's Prescription Drug Plan fee is included.

Home Heating charges are based on an annual consumption level of 3,200 cubic metres for a detached bungalow for families with \$40,000 and \$60,000 of income. Annual consumption for the detached bungalow has been proportionally adjusted for a family with \$75,000 of income to reflect the consumption for an executive detached two storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. Refundable home-heating benefits have been deducted from home-heating costs where applicable.

Mortgage Costs are based on the average home prices for a detached bungalow for families with \$40,000 and \$60,000 of income, and for the graduate with \$50,000 of income, and on an executive detached two storey for a family with \$75,000 of income, from the Royal LePage Fourth Quarter 2009 Survey of Canadian House Prices, with one-half of the home price being financed over 25 years at a five-year closed mortgage rate of 5.5%.

¹ Tables reflect 2010 budget changes for Alberta, British Columbia, New Brunswick and Canada.

Net Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit for families with children. Provincial child benefit measures are available in British Columbia (BC Family Bonus and the BC Earned Income Benefit), Alberta (Alberta Family Employment Tax Credit), Manitoba (Manitoba Child Benefit), Ontario (Ontario Child Care Supplement for Working Families and the Ontario Child Benefit), Quebec (Child Assistance Payments), New Brunswick (New Brunswick Child Tax Benefit and the New Brunswick Working Income Supplement), Nova Scotia (Nova Scotia Child Benefit), and Newfoundland and Labrador (Newfoundland and Labrador Child Benefit).

Property Taxes are based on the assessed values for a detached bungalow for families with \$40,000 and \$60,000 of income, as per the 2007 Residential Property Taxes and Utility Charges Survey (City of Edmonton) updated for 2009 by the property tax component of each province's Consumer Price Index. Property taxes for the detached bungalow have been proportionally adjusted for a family with \$75,000 of income to reflect the taxes paid for an 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 three family profiles with \$40,000, \$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. Families include one income earner, a spouse and two preschool dependent children; two income earners and two preschool children; or two income earners and three preschool children. For two-earner families, one spouse is assumed to earn 60% of the family income while the other spouse earns 40%. Personal non-refundable credits 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 from 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 2009, and is based on the average one-bedroom apartment rent for each urban centre.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the 2007 Survey of Household Spending (Statistics Canada), inflated to 2009 values using each province's Consumer Price Index. Amounts for British Columbia and Ontario are based on the new HST regime.

Transit Fares are based on adult monthly pass rates in effect in February 2010. The full 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.

Telephone charges are the basic service rates for individual residences.

■ Appendix 3: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, primary metals, fabricated metals, industrial chemicals, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, plastic products and manufactured windows. Manitoba is North America's largest manufacturer of buses and Canada's third-largest centre for the manufacture of aerospace equipment. Biovail, located in Steinbach, is one of the largest Canadian-owned pharmaceutical companies in the world. Maple Leaf Foods operates one of the world's largest and most technologically advanced meat processing plants in Brandon, Manitoba's second-largest city.

Manitoba's competitive business environment continues to attract manufacturing investment due to:

- our central location and excellent transportation links to the rest of North America
- low industrial and commercial land costs
- electricity costs which are among the lowest in the world
- a skilled and well-educated work force
- one of the best R&D tax credit regimes.

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 and provincial or state 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.

Interjurisdictional Competitiveness

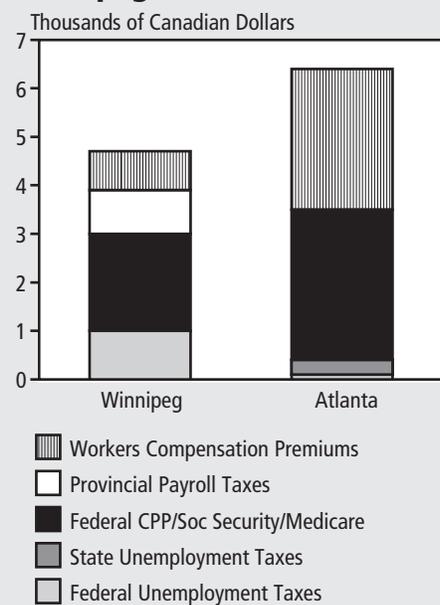
The following indicators are used to assess cost and tax competitiveness for both a smaller and a larger manufacturing firm:

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

Payroll-related 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 payroll taxes. For example, at the same wage level, a firm in Atlanta will have higher payroll-related taxes and levies than in Winnipeg.

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

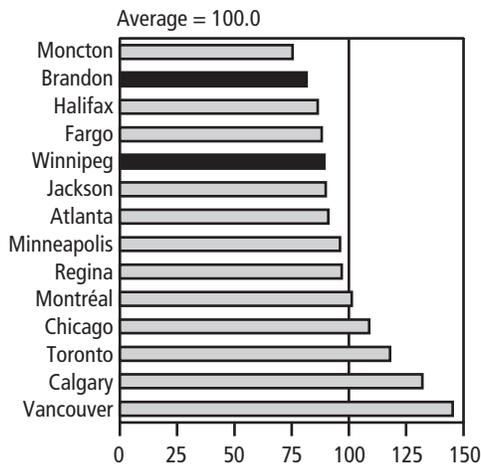


The model uses actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location². The results for each city are compared to the overall average of all cities for each of the indicators and presented in the charts that follow.

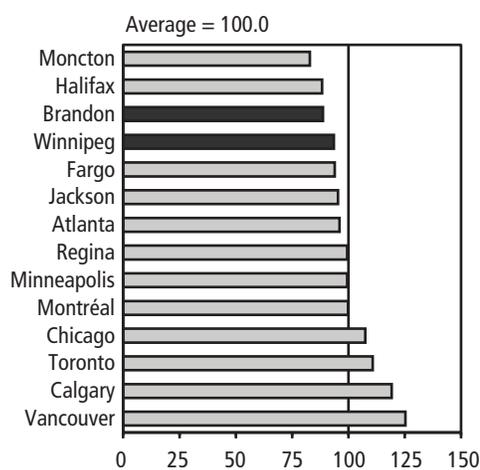
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) in Manitoba 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

Net Cost of Investment Smaller Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



cities tend to be higher due to the cost of land and construction labour.

Pre-Tax Net Income

Pre-tax net income compares Manitoba's cost competitiveness to other jurisdictions. It is calculated by deducting production material costs and location-specific operating costs from fixed annual sales figures. Annual sales are uniform for all locations and are ramped up through the first four years 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.

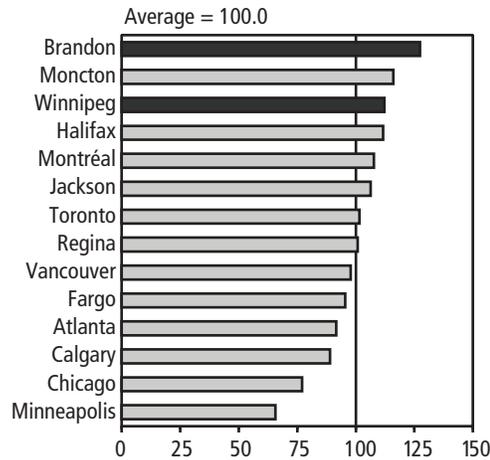
The following location-specific costs are also deducted from annual sales:

- average manufacturing wages
- local utility costs for electricity and basic business telephone lines
- interest charges on debt used to finance construction of the manufacturing plants

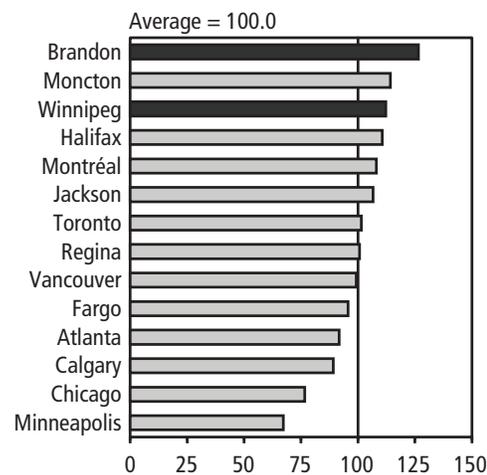
² For comparison purposes U.S. data is converted to Canadian dollars at an exchange rate of C\$1.06 (average rate November 2009).

A talented, well-educated and productive labour force, low utility costs and lower than average start-up costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income Smaller Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



- 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)

Brandon yields the highest pre-tax net income for both the smaller and larger manufacturing firms, while Winnipeg has the third-highest pre-tax net income for both model firms.

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 operating taxes are taken into account:

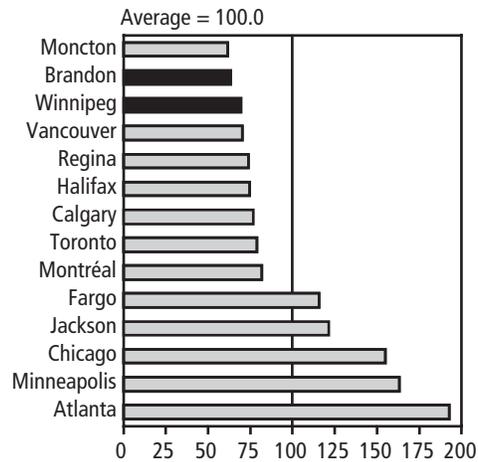
- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- payroll taxes
- workers' compensation premiums
- statutory pension and unemployment insurance premiums.

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

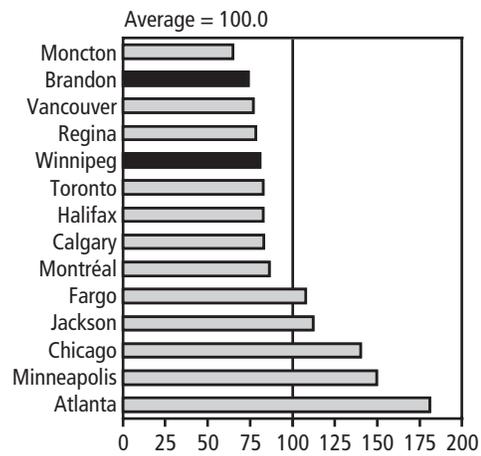
The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits

Effective Tax Rates Smaller Manufacturing Firm



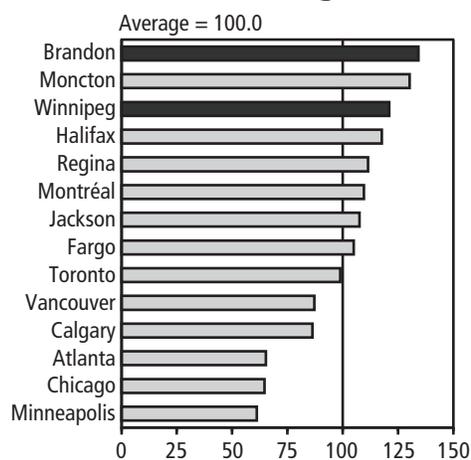
Effective Tax Rates Larger Manufacturing Firm



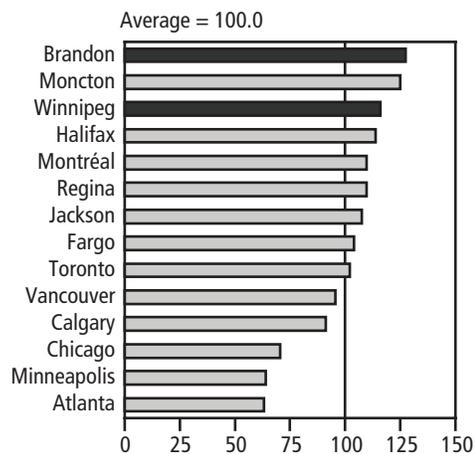
- tax holidays
- accelerated capital cost allowances
- preferential tax rates.

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

Internal Rates of Return Smaller Manufacturing Firm



Internal Rates of Return Larger Manufacturing Firm



For both the smaller and larger manufacturing firms, both Winnipeg's and Brandon's effective tax rates are well below the average. For smaller firms, only Moncton has a lower rate.

Overall Competitiveness

Overall competitiveness is compared by calculating internal rates of return which are commonly used by businesses in their investment and location decisions. 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 and discounted using commercial interest rates. The following charts illustrate the combined effect 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 and Winnipeg has the third-highest internal rate of return for both the smaller and larger manufacturing firms.

■ 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.