

**Budget Paper C**

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**TAXATION ADJUSTMENTS**

**INCLUDES  
THE MANITOBA ADVANTAGE**

# TAXATION ADJUSTMENTS

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## ■ SUMMARY OF 2012 TAX MEASURES

A negative amount represents a tax reduction.

	2012/13	Full Year
	(Millions of Dollars)	
<b>Ongoing Reductions <sup>(1)</sup></b>		
Personal Tax reductions	-27.5	-47.0
Business Tax reductions	-6.0	-6.0
	<b>-33.5</b>	<b>-53.0</b>
<b>Personal Measures</b>		
Dividend Tax Credit reduced	16.9	13.5
	<b>16.9</b>	<b>13.5</b>
<b>Health and Environmental Measures</b>		
Tobacco Tax increased	9.7	10.0
Fuel Tax increased	44.5	48.6
Nutrient Management Tax Credit introduced	-0.1	-0.3
	<b>54.1</b>	<b>58.3</b>
<b>Business Measures</b>		
Data Processing Investment Tax Credit introduced	-	-
Film and Video Production Tax Credit enhanced	-	-0.1
Co-op Education and Apprenticeship Tax Credit enhanced	-0.3	-8.0
Corporation Capital Tax on Financial Institutions increased	17.4	11.6
	<b>17.1</b>	<b>3.5</b>
<b>Sales Tax Measures</b>	<b>95.5</b>	<b>106.5</b>
<b>Technical and Administrative Amendments</b>	<b>0.4</b>	<b>0.5</b>
<b>Total Changes, 2012 Budget</b>	<b>184.1</b>	<b>182.3</b>
<b>Total Changes, including Ongoing Tax Reductions</b>	<b>150.6</b>	<b>129.3</b>

<sup>1</sup> Tax reductions previously announced that take effect after 2011:

- increased seniors' Education Property Tax Credit
- increased basic personal amount, spousal amount and eligible dependent amount
- increased take-up in Tuition Fee Income Tax Rebate
- enhanced R&D Tax Credit refundability

## ■ PERSONAL MEASURES

### Dividend Tax Credit

(2012/13 revenue impact: +\$16.9 million)

The Dividend Tax Credit on eligible dividends paid to shareholders by companies subject to the general corporation income tax rate will be decreased from 11% to 8%, commencing with the 2012 taxation year.

The estimated additional full-year revenue is \$13.5 million.

*For more information, please contact Location A, page C7.*

## ■ HEALTH AND ENVIRONMENTAL MEASURES

### Tobacco Tax

(2012/13 revenue impact: +\$9.7 million)

The Tobacco Tax rate is increased effective midnight, April 17, 2012. The rate per cigarette will increase from 22.5¢ to 25.0¢; the rate on fine-cut tobacco will increase from 21.5¢ to 24.0¢ per gram; and the rate on raw leaf tobacco will increase from 20.0¢ to 22.5¢ per gram.

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

*For more information, please contact Location C, page C7.*

### Fuel Tax

(2012/13 revenue impact: +\$44.5 million)

The fuel tax rate on unmarked gasoline and diesel fuel will increase from 11.5¢ per litre to 14.0¢, effective May 1, 2012. The 11.5¢ rate had been in effect since 1993 for gasoline and since 2004 for diesel fuel.

Marked gasoline will be subject to a 3.0¢ per litre fuel tax rate, effective May 1, 2012.

The estimated additional full-year revenue is \$48.6 million.

*For more information, please contact Location C, page C7.*

## Nutrient Management Tax Credit

(2012/13 revenue impact: -\$0.1 million)

Agricultural producers will be eligible for a new, refundable Nutrient Management Tax Credit. This income tax credit is one component of the Manitoba Government's strategy to facilitate implementation of amendments to *The Environment Act* introduced in *The Save Lake Winnipeg Act*. The credit will be equal to 10% of the capital cost of prescribed nutrient management equipment that is designed to meet water quality requirements. The assets must be acquired and available for use after April 17, 2012 and before 2016.

Capital investments that qualify for the credit are environmentally sound systems installed for use in Manitoba that reduce the risk of nutrient transport to water and help to improve the water quality of Lake Winnipeg. These will include: solid-liquid separation systems, anaerobic digesters, gravity settling tanks, manure treatment systems, and manure composting facilities. Also included are storage tanks suitable for winter manure storage by operators with fewer than 300 animal units.

The costs associated with electrical installations, plumbing, pumps, piping and groundwork required for the installation of the eligible systems are included in the capital cost for purposes of calculating the tax credit. Costs incurred and paid to acquire the system and make it operational are also included, such as engineering, design and installation costs. Borrowing costs are not eligible, and tax creditable capital costs will be net of any government assistance received or receivable on the eligible investment.

Both agribusiness corporations with a permanent establishment in Manitoba, and unincorporated individuals engaged in farming who are residents of Manitoba, are eligible for this support. Where the agricultural operations are owned by a partnership, the total tax credit will be allocated among those partners who reside in Manitoba.

The estimated full-year tax saving for agricultural producers is \$0.3 million.

*For more information, please contact Location A, page C7.*

## ■ BUSINESS MEASURES

### Data Processing Investment Tax Credit

(2012/13 revenue impact: not applicable)

In order to position Manitoba as a high technology data processing centre investment location, a refundable corporation income tax credit will be established for property purchased or leased by an eligible corporation after April 17, 2012 for use in Manitoba. The corporation must have a permanent establishment in Manitoba and its primary business activity, including the activities of its affiliates, must be data processing.

The tax credit will be equal to 4% on the capital cost of new qualified property that is a building and 7% on the capital cost of new qualified property that is machinery or equipment. The property must be purchased or leased by the company for use in its data processing centre in Manitoba and be available for use after April 17, 2012 and before 2016. New qualified property that is purchased or leased to replace or improve property that previously qualified for the tax credit will also be eligible for the tax credit.

The tax credit will effectively offset Manitoba sales tax on the qualified property.

*For more information, please contact Location A, page C7.*

### Film and Video Production Tax Credit

(2012/13 revenue impact: negligible)

Companies starting a film or video production after April 17, 2012 will be able to claim accommodation costs incurred and paid up to \$250 per night per unit as eligible tangible property expenditures for purposes of calculating the cost-of-production tax credit.

The estimated full-year tax saving for film and video producers is \$0.1 million.

*For more information, please contact Location A, page C7.*

### Co-op Education and Apprenticeship Tax Credits

(2012/13 revenue impact: -\$0.3 million)

To enhance support for hiring apprentices and journeypersons, particularly early-level apprentices outside Winnipeg, three components of the Co-op Education and Apprenticeship Tax Credits will be enhanced.

- The Early-Level Apprentice Hiring Incentive (currently 10% of wages and salaries up to a maximum of \$2,000 per year per apprentice) is enhanced to 15% of wages and salaries up to a maximum of \$3,000. This component of the program is also expanded to cover employers eligible for the federal Apprenticeship Job Creation Tax Credit, who will receive a top-up to be treated consistently with other Manitoba tax credit recipients.
- The Advanced-Level Apprentice Hiring Incentive (currently 5% of wages and salaries up to a maximum of \$2,500 per level per employee) is doubled to 10% of wages and salaries up to a maximum of \$5,000.
- The Journeypersons Hiring Incentive (currently 5% of wages and salaries up to a maximum of \$2,500 per year per employee) is also doubled to 10% of wages and salaries up to a maximum of \$5,000.

These enhancements are available to employers of apprentices who complete a level after 2012, and employers of journeypersons who become newly certified after 2012. The tax credit is calculated based on wages and salaries paid to qualified employees, net of any support from government or a public authority.

The enhancements are part of a new, more comprehensive government initiative to support apprenticeship, which includes a Rural and Northern Apprenticeship Strategy. Under this strategy, an additional 5% tax credit will be available for employers who hire early-level apprentices who normally reside outside of Winnipeg and who normally report to an employer's office in rural and northern Manitoba.

	<b>Improvements to Apprenticeship and Journeyperson Tax Credits</b>		
	<b>Level 1 and 2 Apprentices</b>	<b>Level 3, 4 &amp; 5 Apprentices</b>	<b>Newly Certified Journeypersons</b>
<b>Current</b>			
Tax Credit	10%	5%	5%
Maximum Credit	\$2,000	\$2,500	\$2,500
<b>Budget 2012</b>			
<b>Winnipeg</b>			
Tax Credit	15%	10%	10%
Maximum Credit	\$3,000	\$5,000	\$5,000
<b>Rural/Northern</b>			
Tax Credit	20%	10%	10%
Maximum Credit	\$4,000	\$5,000	\$5,000

All components of the tax credit are fully refundable. Eligible employers include taxable corporations or exempt corporate entities (including not-for-profit agencies, Manitoba Crown entities, municipalities, universities, schools and hospitals). Unincorporated employers may claim the refundable credit on their individual income tax return.

The estimated full-year tax saving to employers from these enhancements is \$8.0 million.

*For more information, please contact Location B, page C7.*

### **Corporation Capital Tax on Financial Institutions**

(2012/13 revenue impact: +\$17.4 million)

The 3% Corporation Capital Tax on Financial Institutions is increased to 4%, commencing with taxation years ending after April 17, 2012.

The estimated additional full-year revenue is \$11.6 million.

*For more information, please contact Location C, page C7.*

## ■ SALES TAX MEASURES

(2012/13 revenue impact: +\$95.5 million)

The following personal services will be taxable, effective July 1, 2012: spa treatments, non-medical skin and nail services (such as pedicures, manicures and facials), hair services (including haircuts, hairstyling, hair removal and augmentation), tattooing and piercing. No sales tax will apply to haircuts costing less than \$50.

Sales tax will be applied to prescribed insurance premiums under a contract of insurance, effective July 1, 2012, other than for health, accident or sickness, Autopac, or individual life insurance. This includes property and casualty insurance, group life insurance, trip cancellation insurance, baggage insurance, and land titles insurance. The tax will apply where the insured is a person resident in Manitoba or the premiums are paid in respect of property located in Manitoba.

The estimated additional full-year revenue from these sales tax measures is +\$106.5 million.

*For more information, please contact Location C, page C7.*

## ■ TECHNICAL AND ADMINISTRATIVE MEASURES

(2012/13 revenue impact: +\$0.4 million)

Technical amendments will be made to the Mineral Exploration Tax Credit to ensure it operates as intended, including where credits earned in a higher tax credit year are carried back to a year where lower tax credits were provided.

Now that several residential properties have been designated for tax increment financing, the Community Revitalization Levy paid by residents will be eligible for the Education Property Tax Credit.

To encourage improved tax remittance compliance, the interest rate on tax debts owing under provincially administered taxes and refundable Manitoba personal income tax credits will increase from the prime interest rate plus four percentage points to the prime interest rate plus six percentage points, effective on accounts receivable starting July 1, 2012. The fee for dishonoured taxation payments under provincially administered taxes will be increased from \$20 to \$25.

The following changes will be made to the Retail Sales Tax.

- To reduce tax administration costs for businesses, the tax return filing frequency will be reduced, allowing 17,000 businesses to file their sales tax returns less often.
- The existing formula regarding the application of sales tax on the taxable use of demonstrator vehicles will be updated.
- The fee for dishonoured taxation payments will be updated to reflect increased costs – an increase of \$5.00 per item.

The Neighbourhoods Alive! Tax Credit will be amended, retroactive to April 12, 2011 when the credit began, as follows:

- allowing a corporation up to four years to achieve the minimum \$50,000 donation threshold;
- allowing a corporation to make an up-front donation of up to \$200,000 in the first year, and provide in-kind service contributions to earn the maximum credit in each of the subsequent four tax years; and
- limiting in-kind contributions to earn the credit to the first five years of the social enterprise.

Enhanced enforcement measures respecting Tobacco Tax and other taxes will be implemented under *The Tax Administration and Miscellaneous Taxes Act*.

The estimated additional full-year revenue from these technical and administrative measures is \$0.5 million.

*For more information, please contact Location A, B or C, page C7.*



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## ■ 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
	(Millions of Dollars)							
<b>Income Tax Reductions</b>								
BUDGET								
2000	9	68	34					
2001		29	7	18				
2002			15					
2003					39			
2005							30	
2006							8	34
2007								25
2008								
2010								
2011								
<b>SUBTOTAL</b>	<b>9</b>	<b>97</b>	<b>56</b>	<b>18</b>	<b>39</b>	<b>-</b>	<b>38</b>	<b>59</b>
<b>Property Tax Reductions<sup>1</sup></b>								
BUDGET								
2000	26							
2001		27						
2002			10					
2003				19				
2004					23			
2005						37		
2006							39	
2007								42
2008								
2009								
2011								
<b>SUBTOTAL</b>	<b>26</b>	<b>27</b>	<b>10</b>	<b>19</b>	<b>23</b>	<b>37</b>	<b>39</b>	<b>42</b>
Annual Totals	35	124	67	37	62	37	77	101
Cumulative Annual Totals	<b>35</b>	<b>159</b>	<b>226</b>	<b>262</b>	<b>324</b>	<b>361</b>	<b>438</b>	<b>539</b>

Totals may not add due to rounding.

<sup>1</sup> Reductions include increases to the Education Property Tax Credit of \$156 million; the introduction of and increases to the Farmland School Tax Rebate of \$35 million; and reductions to the Education Support Levy which was eliminated in 2006 (the elimination of ESL now provides annual tax savings of \$145 million compared to \$100 million in 2006).

2008	2009	2010	2011	2012	2013	2014	Cumulative Annual Totals	
(Millions of Dollars)								
								<b>Income Tax Reductions</b>
								BUDGET
							111	2000
							54	2001
							15	2002
							39	2003
							30	2005
							42	2006
51	28	16					120	2007
1	24	11					36	2008
		3	8				11	2010
			24	20	19	19	81	2011
52	52	30	32	20	19	19	539	SUBTOTAL
								<b>Property Tax Reductions<sup>1</sup></b>
								BUDGET
							26	2000
							27	2001
							10	2002
							19	2003
							23	2004
							37	2005
							39	2006
2	2						46	2007
25							25	2008
	16						16	2009
			19	2	2		23	2011
27	18	-	19	2	2	-	291	SUBTOTAL
79	70	30	51	21	21	19	830	Annual Totals
618	688	718	769	790	811	830		Cumulative Annual Totals

## ■ MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income	Tax Payable/(Refunds)		Tax Savings in 2012	2012 Savings over 1999 (Percentage)	Cumulative Savings over 13 Years (Dollars)
	1999	2012			
	(Dollars)				
<b>SINGLE PERSON<sup>1</sup></b>					
10,000	88	(95)	183	207.0	1,580
20,000	1,369	1,071	298	21.8	2,588
40,000	4,012	3,289	724	18.0	6,504
70,000	9,153	7,188	1,965	21.5	17,325
100,000	14,572	12,408	2,165	14.9	19,849
<b>FAMILY OF FOUR – ONE EARNER<sup>1</sup></b>					
25,000	411	(192)	603	146.7	5,468
40,000	2,861	1,684	1,177	41.1	10,048
60,000	6,625	4,405	2,220	33.5	19,831
75,000	9,435	6,835	2,599	27.5	23,087
100,000	13,951	11,428	2,523	18.1	22,224
<b>FAMILY OF FOUR – TWO EARNERS<sup>1</sup></b>					
30,000	533	(23)	555	104.2	4,527
40,000	1,360	737	623	45.8	5,377
60,000	4,107	3,093	1,015	24.7	9,403
80,000	7,169	5,505	1,664	23.2	15,312
100,000	10,188	8,013	2,176	21.4	19,635
<b>SENIOR COUPLE<sup>2</sup></b>					
30,000	39	(316)	355	910.4	3,690
40,000	1,667	715	953	57.2	7,377
60,000	5,635	3,342	2,293	40.7	17,425
80,000	8,893	6,387	2,505	28.2	20,442

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

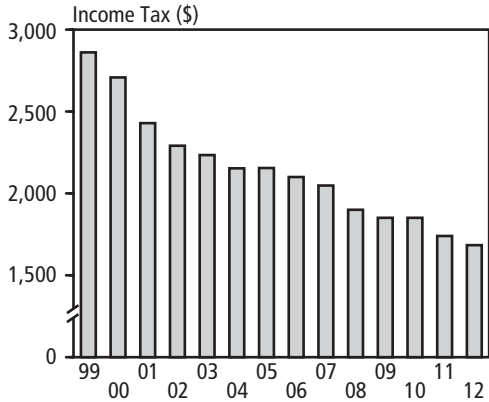
<sup>1</sup> Taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, one taxfiler earns 60% of the income and the other earns 40% and pays child-care fees. The Fitness Tax Credit and the Children's Arts and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

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

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

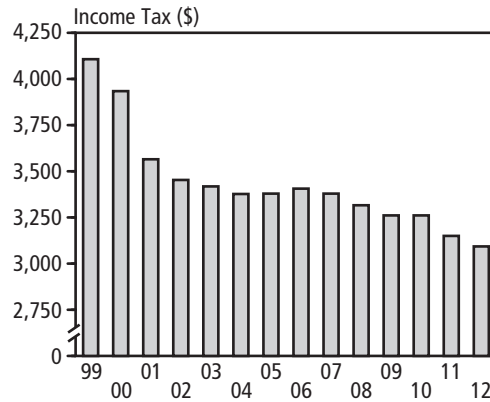
## MANITOBA INCOME TAX SINCE 1999

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



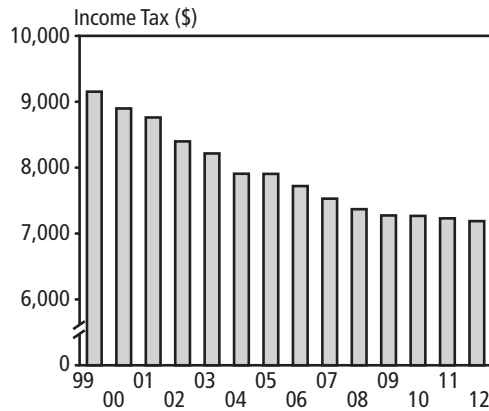
Source: Manitoba Finance

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



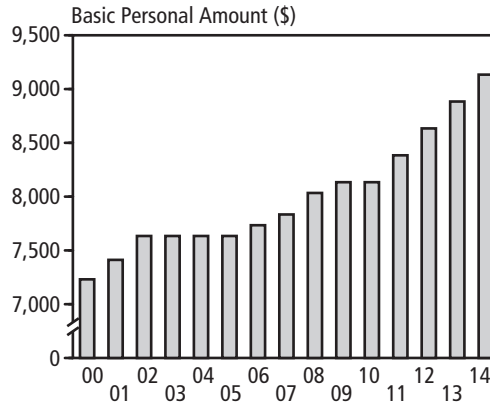
Source: Manitoba Finance

### Single Individual at \$70,000



Source: Manitoba Finance

### The Basic Personal Amount



Source: Manitoba Finance

## ■ 2012 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rates applicable on December 31, 2012. Data as of April 1, 2012.

	BC	AB	SK	MB	ON
<b>Personal Income Tax</b>					
Top Marginal Rate (%) <sup>1</sup>	14.7	10.00	15.00	<b>17.40</b>	17.41
Health Care Premiums (\$) <sup>2</sup>	1,536				900
Health and Education Tax (%) <sup>3</sup>				2.15	1.95
<b>Corporation Income Tax (%)</b>					
Small	2.50	3.00	2.00	<b>0.00</b>	4.50
Large	10.00	10.00	12.00	<b>12.00</b>	11.50
Manufacturing	10.00	10.00	10.00	<b>12.00</b>	10.00
Small business threshold (\$000)	500	500	500	<b>400</b>	500
<b>Capital Tax (%)</b>					
Banks	-	-	3.25	<b>4.00</b>	-
Small Financial Institutions <sup>4</sup>	-	-	0.70	-	-
<b>Sales Tax (%)</b>	7.0	-	5.0	<b>7.0</b>	8.0
<b>Gasoline Tax (¢/l) <sup>5</sup></b>	21.67	9.0	15.0	<b>14.0</b>	14.7
<b>Diesel Fuel Tax (¢/l) <sup>6</sup></b>	22.67	9.0	15.0	<b>14.0</b>	14.3
<b>Tobacco Tax (¢/cigarette) <sup>7</sup></b>	18.50	20.00	21.00	<b>25.00</b>	12.35
<b>Corporation Income Tax Credits</b>					
Manufacturing (%)			5.00	<b>10.00</b>	
Research and Development (%)	10.00	10.00	15.00	<b>20.00</b>	14.50

<sup>1</sup> Top marginal provincial rates include surtaxes.

<sup>2</sup> The premium for BC is the maximum family rate. ON calculates premiums based on 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. QC calculates premiums for the Prescription Drug Plan on net income: maximum \$600 for a single person and \$1,200 for a family, and the Parental Insurance Plan Premiums on insurable earnings of up to \$66,000; maximum \$369. The QC Health Contribution Fund is income tested; maximum per adult is \$200.

<sup>3</sup> MB exempts firms with payrolls of less than \$1.25 million and a graduated rate for firms with payroll up to \$2.5 million. ON provides a payroll deduction of \$400,000 for all employers. QC has graduated rates for firms with payrolls under \$5 million. NL exempts firms with payrolls of less than \$1 million.

<sup>4</sup> MB exempts small financial institutions with less than \$4 billion in taxable paid-up capital. SK has a reduced tax rate for small financial institutions with less than \$1.5 billion in taxable paid-up capital.

## ■ FEDERAL AND MANITOBA INCOME TAX RATES, 2012

### Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
15.0%	\$0 – \$42,707	10.8%	\$0 – \$31,000
22.0%	\$42,707 – \$85,414	12.75%	\$31,001 – \$67,000
26.0%	\$85,414 – \$132,406	17.4%	over \$67,000
29.0%	over \$132,406		

QC	NB	NS	PE	NL	
19.22	14.30	21.00	18.37	13.30	<b>Personal Income Tax</b>
1,400					Top Marginal Rate (%) <sup>1</sup>
4.26				2.00	<b>Health Care Premiums (\$)</b> <sup>2</sup>
					<b>Health and Education Tax (%)</b> <sup>3</sup>
					<b>Corporation Income Tax (%)</b>
8.00	4.50	4.00	1.00	4.00	Small
11.90	10.00	16.00	16.00	14.00	Large
11.90	10.00	16.00	16.00	5.00	Manufacturing
500	500	400	500	500	Small business threshold (\$000)
					<b>Capital Tax (%)</b>
0.25	4.00	4.00	5.00	4.00	Banks
-	-	-	-	-	Small Financial Institutions <sup>4</sup>
9.5	8.0	10.0	10.0	8.0	<b>Sales Tax (%)</b>
18.2	13.6	15.5	15.8	16.5	<b>Gasoline Tax (¢/l)</b> <sup>5</sup>
19.2	19.2	15.4	20.2	16.5	<b>Diesel Fuel Tax (¢/l)</b> <sup>6</sup>
10.90	17.00	21.52	25.40	19.00	<b>Tobacco Tax (¢/cigarette)</b> <sup>7</sup>
					<b>Corporation Income Tax Credits</b>
5.00			10.00		Manufacturing (%)
37.50	15.00	15.00	-	15.00	Research and Development (%)

<sup>5</sup> Provincial gasoline taxes are fixed rates per litre. PE includes both a variable (maximum of 8.7¢/l) and a fixed (7.1¢/l) tax. The rate in BC includes 6.75¢/l dedicated to the BC Transportation Financing Authority and the carbon tax rate of 6.67¢/l for gasoline. ON, QC, NB, NS and NL apply provincial sales tax.

<sup>6</sup> 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) tax. The rate in BC includes 6.75¢/l dedicated to the BC Transportation Financing Authority and the carbon tax rate of 7.67¢/l for diesel. Montréal has an additional levy of 3.0¢/l and QC imposes a carbon tax of 0.8¢/l on petroleum companies (which, it is assumed, is passed on to consumers). ON, QC, NB, NS and NL include provincial sales tax based on average pump prices.

<sup>7</sup> Provincial sales tax applies to tobacco products in all provinces except AB, PE and QC.

## Corporation Income Tax Rates

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

## ■ Appendix 1: MANITOBA TAX EXPENDITURES, 2011/12

### Introduction

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

### Accounting for Tax Expenditures

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

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

### Limitations of Tax Expenditure Accounting

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



## Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, health and education tax levy, retail sales tax, fuel tax and corporation capital tax. The estimates are calculated from tax assessment data provided by the Canada Revenue Agency and departmental data. The estimates provided are for the 2011/12 fiscal year and include measures announced in the 2012 Budget.

In the fall of 2011, the Public Sector Accounting Board (PSAB) issued guidelines on transfers made through the tax system that have an impact on revenue or expenditure, but no net fiscal impact. The guidelines took effect April 1, 2012. The PSAB guidelines stipulate that tax expenditures that provide a financial benefit through the tax system for a purpose other than the relief of taxes be shown as an expense.

The 2012 Budget reflects the following tax credits as expenditures and can be found in the Estimates of Expenditure in the departments of Agriculture, Food and Rural Initiatives, Education, and Finance. The 2011/12 Estimates have also been restated to conform with the new guidelines.

## CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS

	<u>2011/12</u>
	(Millions of dollars)
Education Property Tax Credit (including the Advance)	287.3
Farmland School Tax Rebate	35.5
Film and Video Production Tax Credit	15.0
Tuition Fee Income Tax Rebate Advance	7.9
School Tax Credit for Tenants and Homeowners (55+)	1.5
Book Publishing Tax Credit	0.4
Co-operative Development Tax Credit	0.2
Interactive Digital Media Tax Credit	0.1
Cultural Industries Printing Tax Credit	0.1
<b>TOTAL</b>	<b>348.0</b>

The PSAB guidelines also define tax concessions as financial benefits that provide tax relief for taxes previously paid or currently owing and directs that they be netted against the related tax revenue. The 2011/12 Estimates have been restated to conform with the new guideline. The following tax concessions have been netted against revenue:

- Personal Tax Credit
- Political Contribution Tax Credit (for individuals only)
- Community Enterprise Development Tax Credit
- Riparian Tax Credit

Revenue forecasts for 2011/12 have also been restated to reflect this new accounting standard.

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**MANITOBA TAX EXPENDITURES, 2011/12**

(Millions of Dollars)

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

Contributions to RRSPs	144.0
Contributions to RPPs	89.6
Capital gains inclusion rate	76.5
Lifetime capital gains exemption	35.4
Social assistance, WCB and OAS/GIS (non-taxable income)	21.2
Union dues and professional fees	18.6
Child-care expenses	13.2
Northern residents deduction	6.8
Pension income splitting	17.1
Moving expenses	1.9

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

Basic personal	653.6
CPP/EI	115.0
Charitable donations	67.0
Age	33.5
Tuition fees and education amount (\$400/month)	30.0
Medical expenses	33.4
Spousal	23.8
Eligible dependant	16.8
Private pension	15.1
Disability	19.1
Caregiver	1.4
Student loan interest	0.8
Fitness Tax Credit	3.9
Children's Arts and Cultural Activity Tax Credit	3.8
Infirm dependants	0.2
Adoption Expenses Tax Credit	0.1
Family Tax Benefit	58.1

**(c) Other Manitoba Tax Measures**

Tuition Fee Income Tax Rebate	26.3
Labour-sponsored Venture Capital Corporations Tax Credit	0.3
Mineral Exploration Tax Credit	3.4
Overseas Employment Tax Credit	0.5
Foreign Tax Credit	2.9
Primary Caregiver Tax Credit	9.6
Political Contributions Tax Credit	1.6
Community Enterprise Development Tax Credit	0.1

(Millions of Dollars)

**CORPORATION INCOME TAX**

Low rate for small business	237.5
Manufacturing Investment Tax Credit	34.2
Research and Development Tax Credit	29.7
Green Energy Equipment Tax Credit	0.6
Co-op Education and Apprenticeship Tax Credits	0.9
Odour Control Tax Credit	0.1
Riparian Tax Credit	0.1
Small Business Venture Capital Tax Credit	0.4
Neighbourhoods Alive! Tax Credit	0.1
Nutrient Management Tax Credit	0.1

**HEALTH AND EDUCATION LEVY**

\$1.25 million exemption	138.3
Exemption for interjurisdictional common carriers	14.0

**RETAIL SALES TAX**

Personal Tax Credit	39.8
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**Exemptions**

Groceries	167.3
Farm machinery and repairs	45.5
Farm and organic fertilizer	23.3
Prescription drugs and medicine	22.8
Books, free magazines and newspapers, and school yearbooks	18.7
Farm pesticides and herbicides	17.0
Medical supplies, appliances and equipment	15.0
Water supplied by a municipality	12.9
Natural gas for residential heating	9.8
Children's clothing and footwear	11.7
Electricity used for manufacturing or mining	11.8
Custom software and computer programming	7.8
Electricity for residential heating	7.1
Vehicle trade-ins	6.5
Toll-free calls	6.1
Vehicle private buy/sell refunds	3.9
Direct agents and qualifying items used in manufacturing a product for sale and in mining or processing minerals	3.2
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, flood protection and gravel or sand purchased by a municipality for its own use)	1.8
Qualifying geophysical survey and explorations equipment, drill rigs and well-servicing equipment used in oil and gas exploration and development	1.6

(Millions of Dollars)

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

**FUEL TAX**

Marked gasoline and diesel	43.7
Ethanol grant	19.5
International cargo flight refunds	0.1

**CORPORATION CAPITAL TAX**

Elimination of General Corporation Capital Tax	127.4
Capital deduction	0.2
Credit unions and caisses populaires exemption	12.5
Co-operatives exemption	0.7
Small banks and trust and loan corporations exemptions	0.8

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

## ■ Appendix 2: THE MANITOBA ADVANTAGE

Manitoba is a diversified economy where no single industry dominates the industrial base. Manitoba has been quick to adjust to the changing global market conditions. With emerging markets increasingly driving global growth, Manitoba has expanded its sales to Asia, the Middle East and Africa.

Diversity has provided Manitoba with balance, stability and measured growth over the long term. It has helped generate the best record for consistent growth in capital investment of all provinces, and supported the largest increase in population in 40 years.

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 among the lowest unemployment rate 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 includes 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; reliable and accessible public services, including quality universal public health care and education;
- a dynamic cultural and artistic community with 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.

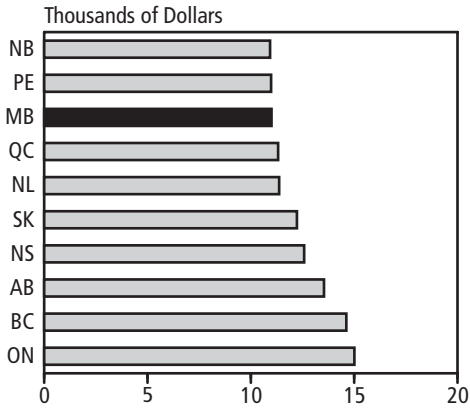
To show Manitoba’s cost competitiveness in more detail, several analyses are provided. The interprovincial comparison of annual personal costs and taxes, net of credits and rebates, compares provinces’ living costs and tax levels for a variety of family types (see p. C22) and graduate students (see p. 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. C30).

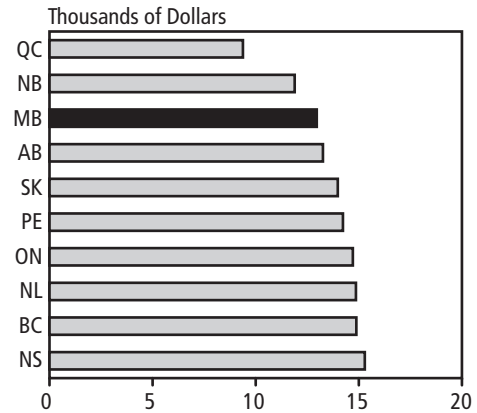
Since 1999, Manitoba’s overall provincial rankings for personal costs and taxes have been among the best in Canada. For 2012, Manitoba’s performance remains favourable. Interprovincial comparison of provincial taxes, utilities and housing costs for five representative family types continues to leave Manitoba ranking in the top three most affordable provinces in which to live and work.

## 2012 Comparison of Personal Costs and Taxes

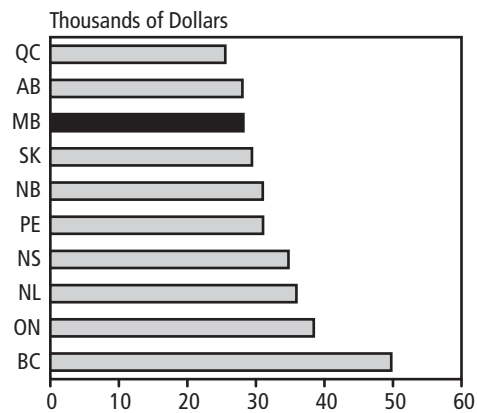
### Single Person Earning \$30,000



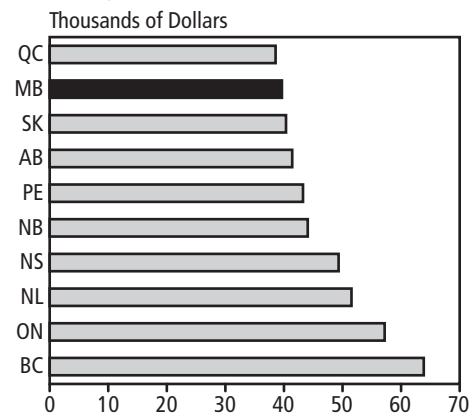
### Single Parent Earning \$30,000



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



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





## 2012 Comparison of Personal Costs and Taxes

<b>Single Person: \$30,000</b>	BC	AB	SK	MB	ON
Provincial Income Tax	833	1,086	1,245	<b>1,407</b>	427
Health Premiums	768	0	0	<b>0</b>	300
<u>Subtotal PIT and Premiums</u>	<u>1,601</u>	<u>1,086</u>	<u>1,245</u>	<u><b>1,407</b></u>	<u>727</u>
Provincial Sales Tax	326	0	139	<b>288</b>	491
Carbon Tax Credit	(116)	0	0	<b>0</b>	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>1,811</u>	<u>1,086</u>	<u>1,383</u>	<u><b>1,695</b></u>	<u>1,218</u>
Rent	11,568	10,788	9,444	<b>8,136</b>	11,724
Utilities	316	652	606	<b>341</b>	629
Public Transit	923	1,015	801	<b>824</b>	1,436
<u>Total Living Costs</u>	<u>12,807</u>	<u>12,455</u>	<u>10,851</u>	<u><b>9,301</b></u>	<u>13,789</u>
<b>Total Personal Costs and Taxes</b>	<u><b>14,618</b></u>	<u><b>13,541</b></u>	<u><b>12,234</b></u>	<u><b>10,996</b></u>	<u><b>15,007</b></u>
<b>Single Parent, One Child: \$30,000</b>	BC	AB	SK	MB	ON
Provincial Income Tax	(154)	0	(446)	<b>(70)</b>	(809)
Health Premiums	835	0	0	<b>0</b>	300
<u>Subtotal PIT and Premiums</u>	<u>681</u>	<u>0</u>	<u>(446)</u>	<u><b>(70)</b></u>	<u>(509)</u>
Family/Employment Tax Credits	0	(715)	0	<b>0</b>	0
Child Benefits	0	0	0	<b>0</b>	(210)
Provincial Sales Tax	423	0	180	<b>374</b>	639
Carbon Tax Credit	(231)	0	0	<b>0</b>	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>873</u>	<u>(715)</u>	<u>(266)</u>	<u><b>305</b></u>	<u>(80)</u>
Rent	11,568	10,788	9,444	<b>8,136</b>	11,724
Child Care	1,200	1,524	3,396	<b>3,358</b>	1,000
Utilities	316	652	606	<b>341</b>	629
Public Transit	923	1,015	801	<b>824</b>	1,436
<u>Total Living Costs</u>	<u>14,007</u>	<u>13,979</u>	<u>14,247</u>	<u><b>12,659</b></u>	<u>14,789</u>
<b>Total Personal Costs and Taxes</b>	<u><b>14,880</b></u>	<u><b>13,264</b></u>	<u><b>13,981</b></u>	<u><b>12,964</b></u>	<u><b>14,708</b></u>

Sums may not add due to rounding.



QC	NB	NS	PE	NL		<b>Single Person: \$30,000</b>
1,145	1,602	1,508	2,002	1,532		Provincial Income Tax
949	0	0	0	0		Health Premiums
<u>2,094</u>	<u>1,602</u>	<u>1,508</u>	<u>2,002</u>	<u>1,532</u>		<u>Subtotal PIT and Premiums</u>
511	472	631	378	519		Provincial Sales Tax
0	0	0	0	0		Carbon Tax Credit
<u>2,605</u>	<u>2,074</u>	<u>2,139</u>	<u>2,380</u>	<u>2,051</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
7,692	7,644	9,036	7,224	7,992		Rent
326	508	637	723	554		Utilities
698	709	766	649	775		Public Transit
<u>8,716</u>	<u>8,861</u>	<u>10,439</u>	<u>8,596</u>	<u>9,321</u>		<u>Total Living Costs</u>
<u>11,321</u>	<u>10,935</u>	<u>12,578</u>	<u>10,977</u>	<u>11,373</u>		<u>Total Personal Costs and Taxes</u>

QC	NB	NS	PE	NL		<b>Single Parent, One Child: \$30,000</b>
1,171	44	497	1,039	0		Provincial Income Tax
620	0	0	0	0		Health Premiums
<u>1,791</u>	<u>44</u>	<u>497</u>	<u>1,039</u>	<u>0</u>		<u>Subtotal PIT and Premiums</u>
(551)	(250)	0	0	0		Family/Employment Tax Credits
(3,056)	(67)	0	0	0		Child Benefits
664	613	820	491	674		Provincial Sales Tax
0	0	0	0	0		Carbon Tax Credit
<u>(1,152)</u>	<u>340</u>	<u>1,317</u>	<u>1,531</u>	<u>674</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
7,692	7,644	9,036	7,224	7,992		Rent
1,820	2,686	3,531	4,104	4,860		Child Care
326	508	637	723	554		Utilities
698	709	766	649	775		Public Transit
<u>10,536</u>	<u>11,547</u>	<u>13,970</u>	<u>12,700</u>	<u>14,181</u>		<u>Total Living Costs</u>
<u>9,385</u>	<u>11,887</u>	<u>15,287</u>	<u>14,231</u>	<u>14,856</u>		<u>Total Personal Costs and Taxes</u>

Sums may not add due to rounding.

## 2012 Comparison of Personal Costs and Taxes

<b>Two-Earner Family of 4: \$60,000</b>	BC	AB	SK	MB	ON
Provincial Income Tax	1,132	1,645	483	<b>3,046</b>	679
Health Premiums	1,536	0	0	<b>0</b>	300
<u>Subtotal PIT and Premiums</u>	<u>2,668</u>	<u>1,645</u>	<u>483</u>	<u><b>3,046</b></u>	<u>979</u>
Family/Employment Tax Credits	0	(1,365)	0	<b>0</b>	0
Child Benefits	0	0	0	<b>0</b>	0
Property Taxes	3,291	2,114	2,684	<b>2,728</b>	2,999
Property Tax Credits	(570)	0	0	<b>(700)</b>	0
Provincial Sales Tax	1,103	0	695	<b>1,106</b>	1,824
Gasoline Tax	650	270	450	<b>420</b>	441
Carbon Tax Credit	(72)	0	0	<b>0</b>	0
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>7,071</u>	<u>2,664</u>	<u>4,312</u>	<u><b>6,600</b></u>	<u>6,243</u>
Mortgage Costs	23,471	11,807	9,837	<b>8,267</b>	13,231
Child Care	14,880	8,868	11,352	<b>9,776</b>	7,999
Utilities	1,661	2,024	1,972	<b>1,599</b>	2,065
Auto Insurance	2,719	2,664	1,949	<b>1,885</b>	8,666
<u>Total Living Costs</u>	<u>42,731</u>	<u>25,363</u>	<u>25,110</u>	<u><b>21,527</b></u>	<u>31,961</u>
<b>Total Personal Costs and Taxes</b>	<u><b>49,802</b></u>	<u><b>28,027</b></u>	<u><b>29,422</b></u>	<u><b>28,172</b></u>	<u><b>38,204</b></u>
<b>Two-Earner Family of 5: \$75,000</b>	BC	AB	SK	MB	ON
Provincial Income Tax	1,768	2,484	1,297	<b>4,142</b>	1,445
Health Premiums	1,536	0	0	<b>0</b>	516
<u>Subtotal PIT and Premiums</u>	<u>3,304</u>	<u>2,484</u>	<u>1,297</u>	<u><b>4,142</b></u>	<u>1,961</u>
Family/Employment Tax Credits	0	(1,755)	0	<b>0</b>	0
Child Benefits	0	0	0	<b>0</b>	0
Property Taxes	3,655	2,950	3,671	<b>3,596</b>	5,151
Property Tax Credits	(570)	0	0	<b>(700)</b>	0
Provincial Sales Tax	1,387	0	565	<b>1,301</b>	2,308
Gasoline Tax	650	270	450	<b>420</b>	441
<u>Total Provincial Taxes, Credits and Premiums</u>	<u>8,426</u>	<u>3,949</u>	<u>5,983</u>	<u><b>8,759</b></u>	<u>9,861</u>
Mortgage Costs	26,610	16,479	13,455	<b>11,804</b>	22,723
Child Care	23,400	14,940	15,678	<b>14,495</b>	12,500
Home Heating	2,768	3,373	3,286	<b>2,665</b>	3,442
Auto Insurance	2,719	2,664	1,949	<b>1,885</b>	8,666
<u>Total Living Costs</u>	<u>55,497</u>	<u>37,456</u>	<u>34,368</u>	<u><b>30,849</b></u>	<u>47,331</u>
<b>Total Personal Costs and Taxes</b>	<u><b>63,923</b></u>	<u><b>41,405</b></u>	<u><b>40,351</b></u>	<u><b>39,608</b></u>	<u><b>57,192</b></u>

Sums may not add due to rounding.

QC	NB	NS	PE	NL	<b>Two-Earner Family of 4: \$60,000</b>	
4,589	2,335	2,620	2,989	2,390		Provincial Income Tax
1,698	0	0	0	0		Health Premiums
<u>6,288</u>	<u>2,335</u>	<u>2,620</u>	<u>2,989</u>	<u>2,390</u>		<u>Subtotal PIT and Premiums</u>
0	(250)	0	0	0		Family/Employment Tax Credits
(2,698)	0	0	0	0		Child Benefits
3,083	2,790	2,332	2,600	1,545		Property Taxes
0	0	0	0	0		Property Tax Credits
1,979	1,751	2,274	1,263	1,923		Provincial Sales Tax
546	408	465	495	474		Gasoline Tax
0	0	0	0	0		Carbon Tax Credit
<u>9,198</u>	<u>7,034</u>	<u>7,691</u>	<u>7,347</u>	<u>6,333</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
8,280	6,010	7,744	6,010	7,694		Mortgage Costs
3,640	12,802	14,217	12,000	15,120		Child Care
2,149	2,879	2,704	3,974	3,641		Utilities
1,988	2,022	2,069	1,733	2,839		Auto Insurance
<u>16,057</u>	<u>23,713</u>	<u>26,734</u>	<u>23,717</u>	<u>29,294</u>		<u>Total Living Costs</u>
<u>25,255</u>	<u>30,747</u>	<u>34,425</u>	<u>31,064</u>	<u>35,627</u>		Total Personal Costs and Taxes

QC	NB	NS	PE	NL	<b>Two-Earner Family of 5: \$75,000</b>	
7,028	3,503	3,906	4,131	3,429		Provincial Income Tax
1,782	0	0	0	0		Health Premiums
<u>8,810</u>	<u>3,503</u>	<u>3,906</u>	<u>4,131</u>	<u>3,429</u>		<u>Subtotal PIT and Premiums</u>
0	(250)	0	0	0		Family/Employment Tax Credits
(3,200)	0	0	0	0		Child Benefits
5,152	3,859	3,196	3,299	2,306		Property Taxes
0	0	0	0	0		Property Tax Credits
2,396	2,204	2,781	1,367	2,232		Provincial Sales Tax
546	408	465	495	474		Gasoline Tax
<u>13,704</u>	<u>9,724</u>	<u>10,348</u>	<u>9,293</u>	<u>8,441</u>		<u>Total Provincial Taxes, Credits and Premiums</u>
13,836	8,312	10,614	7,624	11,481		Mortgage Costs
5,460	19,203	21,793	18,000	22,680		Child Care
3,582	4,798	4,507	6,623	6,068		Home Heating
1,988	2,022	2,069	1,733	2,839		Auto Insurance
<u>24,866</u>	<u>34,335</u>	<u>38,983</u>	<u>33,980</u>	<u>43,068</u>		<u>Total Living Costs</u>
<u>38,570</u>	<u>44,059</u>	<u>49,331</u>	<u>43,273</u>	<u>51,509</u>		Total Personal Costs and Taxes

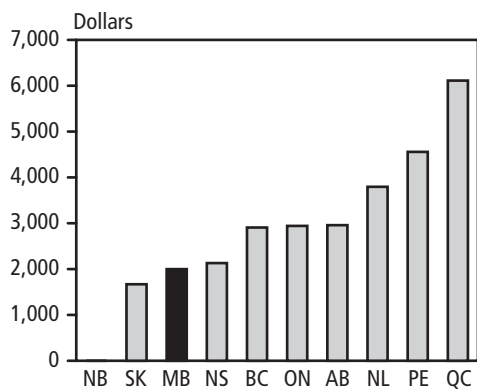
Sums may not add due to rounding.

## 2012 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	2,139	2,958	3,669	<b>4,499</b>	2,342
Graduate Tuition Credit/Rebate	0	0	(2,000)	<b>(2,500)</b>	0
Health Premiums	768	0	0	<b>0</b>	600
<b>Subtotal PIT, Credit and Premiums</b>	<b>2,907</b>	<b>2,958</b>	<b>1,669</b>	<b>1,999</b>	<b>2,942</b>
Property Taxes	3,291	2,114	2,684	<b>2,728</b>	2,999
Property Tax Credits	(570)	0	0	<b>(700)</b>	0
Provincial Sales Tax	479	0	260	<b>470</b>	777
Gasoline Tax	433	180	300	<b>280</b>	294
<b>Total Provincial Taxes, Credits and Premiums</b>	<b>6,541</b>	<b>5,252</b>	<b>4,913</b>	<b>4,776</b>	<b>7,012</b>
Mortgage Costs	23,471	11,807	9,837	<b>8,267</b>	13,231
Utilities	1,661	2,024	1,972	<b>1,599</b>	2,065
Auto Insurance	1,286	1,233	877	<b>893</b>	4,268
<b>Total Living Costs</b>	<b>26,418</b>	<b>15,064</b>	<b>12,686</b>	<b>10,759</b>	<b>19,564</b>
<b>Total Personal Costs and Taxes</b>	<b>32,959</b>	<b>20,316</b>	<b>17,599</b>	<b>15,535</b>	<b>26,576</b>

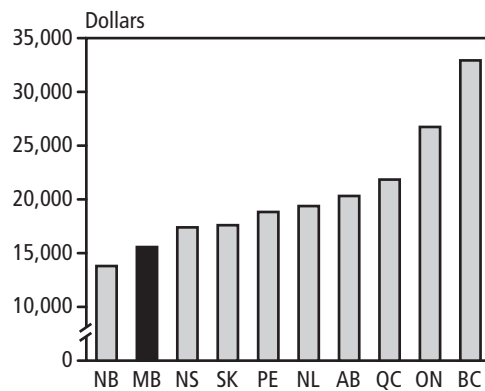
Sums may not add due to rounding.

### 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	
5,051	3,781	4,631	4,557	3,795	<b>Single Person: \$50,000</b>
0	(3,781)	(2,500)	0	0	Provincial Income Tax
1,061	0	0	0	0	Graduate Tuition Credit/Rebate
<u>6,112</u>	<u>0</u>	<u>2,131</u>	<u>4,557</u>	<u>3,795</u>	Health Premiums
					<u>Subtotal PIT, Credit and Premiums</u>
3,083	2,790	2,332	2,600	1,545	Property Taxes
0	0	0	0	0	Property Tax Credits
852	741	978	558	818	Provincial Sales Tax
364	272	310	330	316	Gasoline Tax
<u>10,411</u>	<u>3,803</u>	<u>5,751</u>	<u>8,045</u>	<u>6,474</u>	<u>Total Provincial Taxes, Credits and Premiums</u>
8,280	6,010	7,744	6,010	7,694	Mortgage Costs
2,149	2,879	2,704	3,974	3,641	Utilities
816	942	983	813	1,377	Auto Insurance
<u>11,245</u>	<u>9,831</u>	<u>11,431</u>	<u>10,797</u>	<u>12,712</u>	<u>Total Living Costs</u>
<u>21,656</u>	<u>13,634</u>	<u>17,182</u>	<u>18,842</u>	<u>19,186</u>	<b>Total Personal Costs and Taxes</b>

Sums may not add due to rounding.

## NOTES

Provincial taxes, credits and premiums are based on information available prior to April 1, 2012, (except for Manitoba, which includes Budget 2012 changes) 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. Rates were provided by the Insurance Corporation of British Columbia for British Columbia, SGI Canada for Saskatchewan, and Manitoba Public Insurance (MPI) 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 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 and Quebec are the only provinces with regulated maximum parent fees. Fees for other provinces are those obtained from provincial offices, online and/or in a survey conducted in the first quarter of 2011.

**Gasoline Tax** is based on the annual consumption of 3,000 litres. 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 health contribution are included.

**Mortgage costs** are based on average home prices for a detached bungalow for the family with \$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 2011 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 3.48%.

**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 (Family Bonus and the Earned Income Benefit), Alberta (Family Employment Tax Credit), Manitoba (Child Benefit), Ontario (Trillium Benefit), Quebec (Child Assistance Payments), New Brunswick (Child Tax Benefit and the Working Income Supplement), Nova Scotia (Child Benefit), and Newfoundland and Labrador (Child Benefit).

**Property taxes** for the family with \$60,000 and the graduate with \$50,000 of income are based on the estimated taxes for a sample detached bungalow from the City of Edmonton "2010 Residential Property Taxes and Utility Charges Survey" with the exception of Charlottetown whose property tax estimate is based on the Saskatchewan 2012 Budget Paper "2012 Intercity Comparison of Taxes, Utilities and Housing." 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 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 dependant 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 2011, 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 2012 values using each province's Consumer Price Index.

**Transit fares** are based on adult monthly pass rates in effect in January 2012. 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 2012 Budget Paper "2012 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 for the family with \$60,000 of income and the graduate with \$50,000 of income. Annual consumption for the detached bungalow has been proportionally adjusted for the executive detached two storey. 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 for the family with \$60,000 of income and the graduate with \$50,000 of income and 13,500 kWh for the family at \$75,000. Annual consumption of 4,500 kWh is used for the single person and single-parent renters. Rates do not include municipal taxes.

## ■ APPENDIX 3: MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

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 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

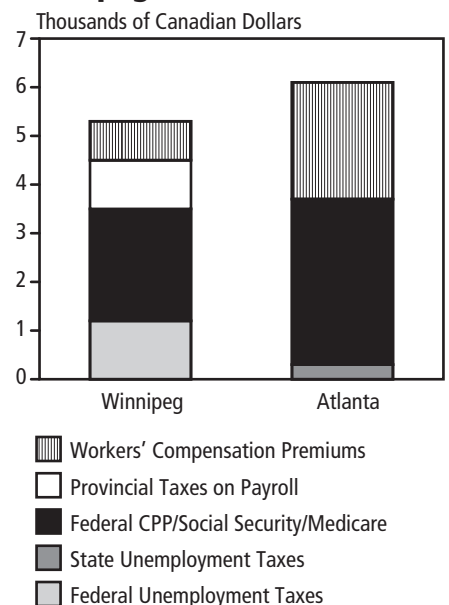
U.S. employers pay federal and state unemployment taxes, social security tax and medicare tax and are also required to provide workers' compensation coverage. Canadian employers do not pay provincial unemployment or federal medicare taxes, though some provinces have taxes on payroll. For example, at 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, 2012



Source: Manitoba Finance



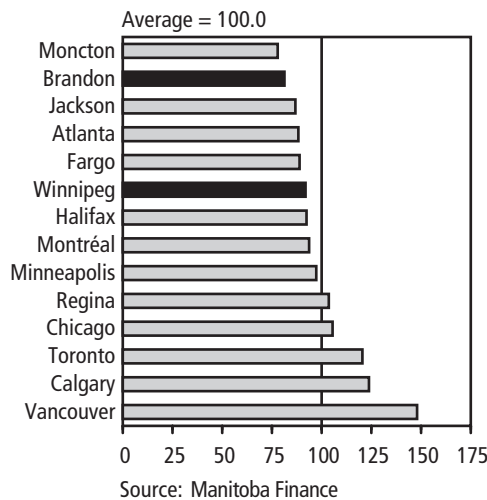
The model uses actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location.<sup>1</sup> The results for each city are compared to the overall average of all cities (100.0) for each of the indicators and presented in the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

### Net Cost of Investment

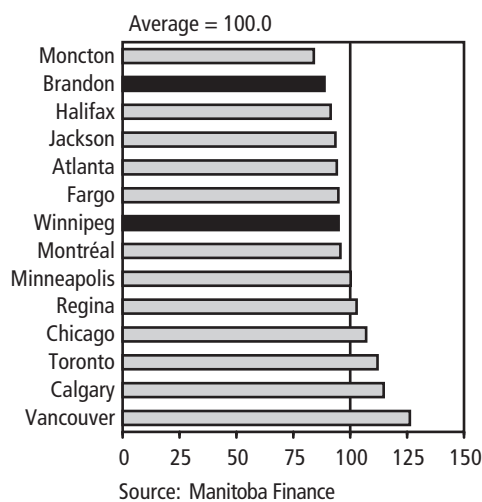
The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) in Manitoba cities are among the lowest of all cities. Investment tax credits on capital asset purchases reduce the net cost of investment. Start-up costs in larger cities tend to be higher due to the cost of land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

### Pre-Tax Net Income

#### Net Cost of Investment Smaller Manufacturing Firm



#### Net Cost of Investment Larger Manufacturing Firm



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:

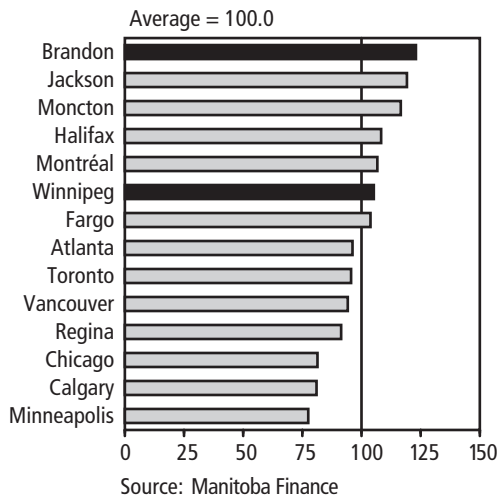
- average manufacturing wages
- local utility costs for electricity
- interest charges on debt used to finance construction of the manufacturing plants

<sup>1</sup> For comparison purposes, U.S. data is converted to Canadian dollars at an exchange rate of C\$0.9919 (March 16, 2012 rate).

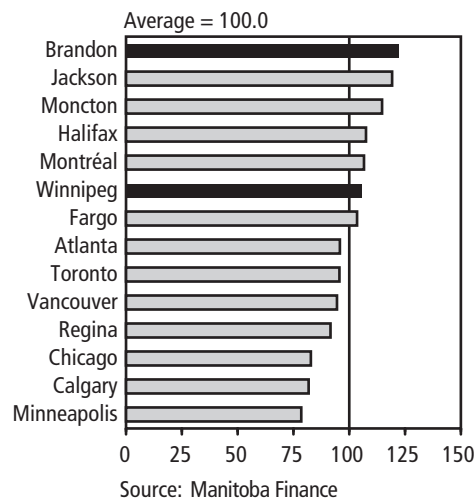
- depreciation of capital assets: buildings costs (which vary by city based on local construction wages) and machinery and equipment (which are assumed to be the same across all cities)
- employer-paid health premiums.

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.

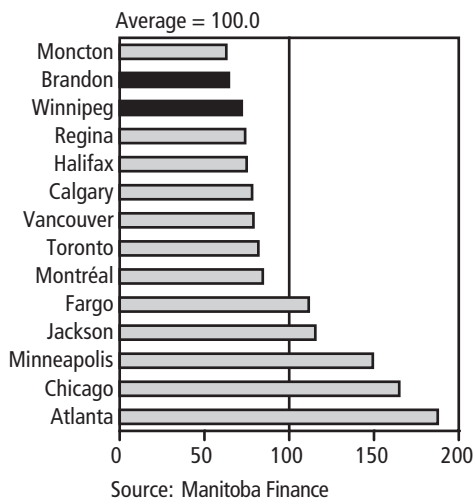
The following tax expenditures that benefit the manufacturing sector are also taken into account:

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

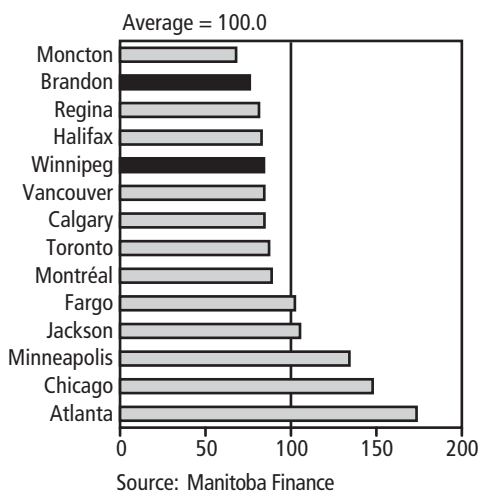
Not included are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs that are subject to an approval process.

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**



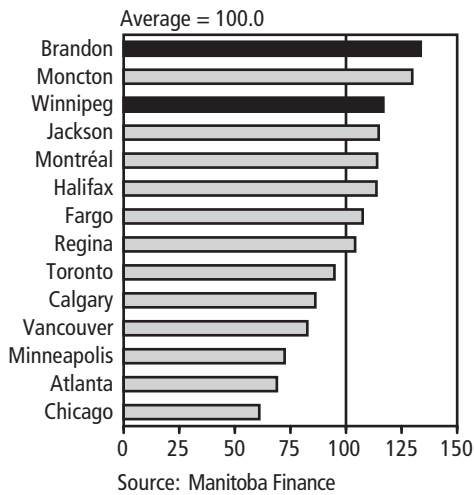
**Overall Competitiveness**

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.

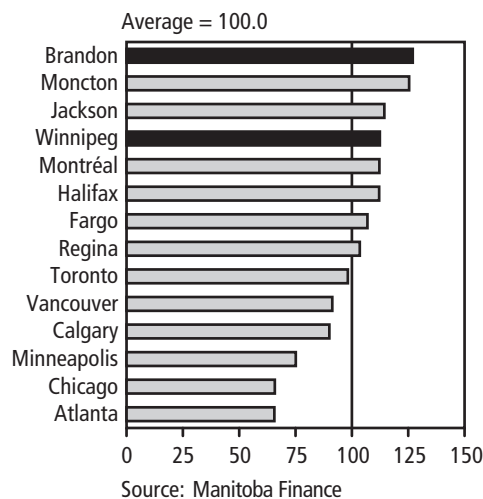
The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return. Winnipeg has the third-highest internal rate of return for the smaller manufacturing firm and the fourth-highest internal rate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

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

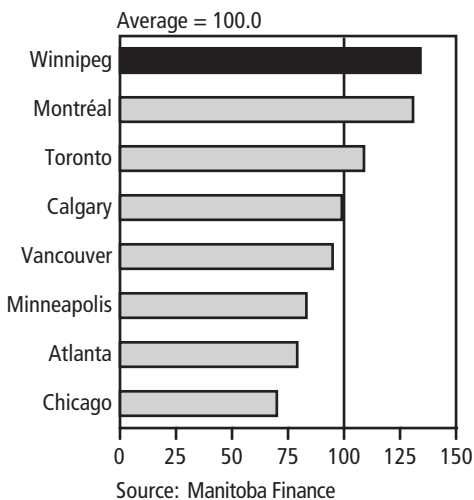
### Internal Rates of Return Smaller Manufacturing Firm



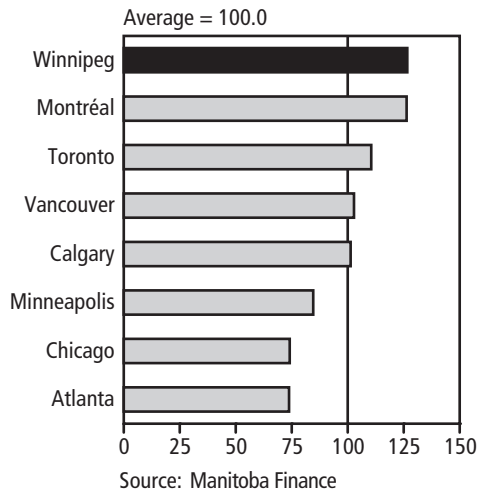
### Internal Rates of Return Larger Manufacturing Firm



### 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.

Manitoba Finance's findings are consistent with the recently published "Competitive Alternatives 2012: KPMG's Guide to International Business Location Costs," which analyzes business costs and other competitiveness factors of more than 110 cities in 14 countries. In the KPMG study, Winnipeg once again ranked as the most competitive among 25 larger North American mid-western cities. When smaller centres are included, Brandon ranked third and Winnipeg's rank moves to fifth most competitive of 32 cities. Manitoba's most cost-effective industries were in the R&D, digital and corporate services sectors (biotechnology, clinical trials, electronic product testing, digital entertainment, software design, professional services and support services).