

TAXATION CHANGES – 2007 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on April 4, 2007.

PERSONAL INCOME TAX

Education Property Tax Credit base amount increased	The base amount of the Education Property Tax Credit is increased from \$400 to \$525. The majority of homeowners will have this amount subtracted from their 2007 property tax bills. Renters will receive the increased amount upon filing of their 2007 income tax return.
Bracket and rate changes	Effective January 1, 2008, the middle bracket rate is reduced from 13.0% to 12.75%. In addition, the bottom threshold at which the top bracket rate applies is increased from \$65,000 to \$66,000, effective January 1, 2008.
Basic Personal Amount increased	The basic personal amount is increased by \$200 to \$8,034, effective January 1, 2008.
Pension income splitting introduced	Manitoba will parallel the new federal pension income-splitting measure for the 2007 and following taxation years.
Spouse or Common-law Partner Amount increased	The spouse or common-law partner amount and the amount for an eligible dependent are increased to \$8,034, effective January 1, 2008. Also, the net income adjustment will now apply to the full amounts.
Manitoba Family Tax Reduction modified and renamed	Effective January 1, 2008, the Manitoba Family Tax Reduction is included as a non-refundable tax credit and renamed the Manitoba Family Tax Benefit.
Lifetime capital gains exemption paralleled	Manitoba is paralleling the federal lifetime capital gains exemption limit increase on qualified farm and fishing property or qualified small business corporation shares disposed of after March 18, 2007.
Manitoba Mineral Exploration Tax Credit extended	The Manitoba Mineral Exploration Tax Credit is extended for one year, to March 31, 2008.

Dividend Tax Credit reduced In accordance with the reduction in the small business corporation income tax rate to 2% in 2008, the dividend tax credit on dividends other than eligible dividends is correspondingly adjusted to 3.15%.

Further information on personal income tax rates, education property tax credits, or other non-refundable tax credit amounts may be obtained from Manitoba Finance – Tax Assistance Office:

809 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 948-2115 in Winnipeg
Manitoba Toll Free 1-800-782-0771
Fax (204) 948-2263
E-mail TAO@gov.mb.ca

Further information on Manitoba Mineral Exploration Tax Credit may be obtained from Manitoba Science, Technology, Energy and Mines – Minerals Policy and Business Development Unit:

360-1395 Ellice Avenue
Winnipeg, Manitoba R3G 3P2
Telephone (204) 945-6586
Fax (204) 945-8427
E-mail minesinfo@gov.mb.ca

Further information on the dividend tax credit may be obtained from Manitoba Finance – Federal-Provincial Relations and Research Division:

910 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 945-3757
Fax (204) 945-5051
E-mail fedprov@gov.mb.ca
Website <http://www.gov.mb.ca/finance/fedprov>

PROPERTY AND SCHOOL TAXES

Farmland School Tax Rebate increased The Farmland School Tax Rebate, introduced in 2004, provided a 33% rebate of the school division special levy on farmland. The rebate increased to 50% in 2005 and 60% in 2006.

In 2007, the rebate is increased to 65%. Further increases will take place in 2008, 2009, and 2010 with respective rebate rates of 70%, 75%, and 80%.

Further information on the Farmland School Tax Rebate may be obtained from Manitoba Agricultural Services Corporation:

Unit 100 – 1525 First Street South
Brandon, Manitoba R7A 7A1
Telephone (204) 726-7068
Fax (204) 726-6849
E-mail fstr@masc.mb.ca

CORPORATION INCOME TAX

- General corporation income tax rate reduced** The general corporation income tax rate is reduced from 14% to 13%, effective July 1, 2008. The rate will be further reduced to 12% on July 1, 2009, subject to balanced budget requirements.
- Film and Video Production Tax Credit extended** The Film and Video Production Tax Credit is extended for a further three years, to March 1, 2011.
- Small business tax rate reduced** The small business income tax rate is reduced from 3% to 2%, effective January 1, 2008.
- Capital cost allowance rates enhanced** Manitoba will parallel the federal change in Capital Cost Allowance (CCA) rates for manufacturing or processing machinery and equipment, improved from 30% declining balance depreciation rate to a 50% straight-line depreciation rate. This is effective for acquisitions after March 18, 2007 and before 2009.
- In addition, the CCA rate on buildings used in manufacturing or processing is increased from 4% to 10% on acquisitions after March 18, 2007.
- Community Enterprise Development Tax Credit enhanced** The Community Enterprise Development Tax Credit is broadened to include a new 30% provincial non-refundable income tax credit for individuals and corporations in Manitoba who invest a minimum of \$20,000 directly in an emerging enterprise. The maximum annual tax credit claimable by an investor will be \$45,000, with a lifetime limit of \$450,000 per qualifying investee corporation. Qualifying securities will not qualify as an eligible registered savings plan investment.
- Green Energy Manufacturing Tax Credit introduced** A new Green Energy Manufacturing Tax Credit is introduced. This refundable income tax credit will be equal to 10% of the value of qualifying property produced in Manitoba and sold before 2019 for residential or commercial use in Manitoba. Qualifying property will initially include wind power, solar energy, geothermal and hydrogen fuel cell equipment.
- Manufacturing Investment Tax Credit enhanced** The refundable portion of the Manufacturing Investment Tax Credit is increased from 35% to 50% for qualified property acquired on or after January 1, 2008.

Further information on corporation income tax rates and credits may be obtained from Manitoba Finance – Federal-Provincial Relations and Research Division:

910 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 945-3757
Fax (204) 945-5051
E-mail fedprov@gov.mb.ca
Website <http://www.gov.mb.ca/finance/fedprov>

Further information on Manitoba Film and Video Production Tax Credit may be obtained from Manitoba Film and Sound Development Corporation:

410 – 93 Lombard Avenue
Winnipeg, Manitoba R3B 3B1
Telephone (204) 947-2040
Fax (204) 956-5261
E-mail explore@mbfilmsound.mb.ca
Website <http://www.mbfilmsound.mb.ca>

Further information on Community Enterprise Development Tax Credit may be obtained from Manitoba Competitiveness, Training and Trade – Financial Services:

1040 – 259 Portage Avenue
Winnipeg, MB R3B 3P4
Telephone (204) 945-0141
Fax (204) 945-1193

CORPORATION CAPITAL TAX

- Rate reduced** Effective for fiscal years commencing after January 1, 2008, the tax rate (excluding crown corporations) will be reduced from:
- 0.3% to 0.2% for corporations with taxable* paid up capital (PUC) less than \$10 million;
 - 0.5% to 0.4% for corporations with taxable* PUC greater than \$11 million.
 - For corporations with taxable* PUC between \$10 million and \$11 million, tax will apply at 2.4% of the taxable PUC greater than \$10 million plus \$20,000 (formerly 2.5% plus \$30,000).

* taxable PUC represents total PUC less the \$10 million deduction and allowances for goodwill and investments

The tax rate for banks, trust and loan corporations remains at 3%.

The 2007 Budget also announced that the general corporation capital tax (excluding crown corporations) will be fully eliminated before 2011, subject to budget balancing requirements.

- Reduced filing frequency** Effective for fiscal years commencing after January 1, 2008, the threshold amount for filing one annual installment will increase from \$2,400 to \$5,000. Corporations with tax payable of \$5,000 or less will be able to pay their estimated tax in one annual installment instead of four quarterly installments.

PAYROLL TAX

- Exemption increased** Effective January 1, 2008, the payroll tax exemption will increase from \$1 million to \$1.25 million and the reduced tax rate range will increase to between \$1.25 million and \$2.5 million (from between \$1 million and \$2 million). Employers whose total annual payroll falls between \$1.25 million and \$2.5 million pay tax at 4.3% on their payroll amount that exceeds \$1.25 million.

The requirement for associated corporations and associated partnerships to share the tax exemption or the reduced tax rate provisions will continue.

RETAIL SALES TAX

Crafters, hobbyists and other home based businesses

To reduce tax administration costs for small businesses, effective April 4, 2007, crafters, hobbyists and other non-commercial home based businesses with gross annual sales of \$10,000 or less will not be required to register and collect sales tax. Qualified home based businesses will be allowed to pay sales tax on their purchases and not collect sales tax on the selling price of their goods and services.

Exemption for slurry tanks and lagoon liners extended

The exemption for slurry tanks and lagoon liners that are purchased for use in farm livestock operations is extended to June 30, 2009.

Further information on corporation capital tax, payroll tax and retail sales tax may be obtained from Manitoba Finance – Taxation Division:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll Free 1-800-782-0318
Fax (204) 948-2087
E-mail MBTax@gov.mb.ca
Web site www.gov.mb.ca/finance/taxation

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763

INSURANCE CORPORATIONS TAX

Discretionary waiver of interest and penalties

The *Insurance Corporations Tax Act* will be amended to allow for the discretionary waiver of interest and penalties.

Further information on insurance corporations tax may be obtained from Manitoba Finance – Consumer and Corporate Affairs Division, Financial Institutions Regulation Branch:

1115 – 405 Broadway
Winnipeg, Manitoba R3C 3L6
Telephone (204) 945-2542
Fax (204) 948-2268
E-mail insurance@gov.mb.ca
Website <http://www.gov.mb.ca/finance/cca/firb/>