

TAXATION CHANGES – 2009 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on March 25, 2009.

BUSINESS TAX MEASURES

Small Business Tax Rate eliminated The small business income tax rate will be reduced from 1.0% to zero, effective December 1, 2010.

Manitoba Finance will release a discussion paper on its webpage to address Manitoba nonrefundable corporate income tax credits carried forward after 2010 and earned after 2010 by companies no longer paying Manitoba corporate income tax because of the 0% tax rate. Persons interested in providing input on how best to treat tax credits in these circumstances will be invited to do so before the end of 2009.

Community Enterprise Investment Tax Credit enhanced The Community Enterprise Investment Tax Credit is enhanced by increasing the maximum annual approval limit from \$16,667,000 to \$33,000,000, commencing in 2009. The maximum annual investment limit by an investor that qualifies for a tax credit remains at \$450,000 and the maximum tax credit amount that may be applied against Manitoba income tax payable in a given year remains at \$45,000. The credit is available on eligible securities acquired after 2007 and before 2011.

Co-op Education and Apprenticeship Tax Credits enhanced and extended All components of the Co-op Education and Apprenticeship Tax Credits (CEATC) family of programs are extended to December 30, 2011. The CEATC is enhanced with the addition of a new component, the Advanced-Level Apprentices Hiring Incentive (ALA-HI), for employers who hire higher level apprentices for work performed in Manitoba.

The terms of ALA-HI are similar to those of the Journeypersons Hiring Incentive and the Co-op Graduates Hiring Incentive. The apprentice must be enrolled at an advanced level (Level 3, 4, or 5) in Manitoba on January 1, 2009 or later, and before the end of 2011. When the apprentice completes that level, the employer then earns an ALA-HI credit claimable in the company financial year in which it is earned.

The ALA-HI credit equals 5% of wages and salaries paid to the advanced-level apprentice (net of other government assistance received or receivable by the employer) up to \$2,500 per level completed by the apprentice. There is no limit on the number of apprentices an employer may hire to earn the credit.

Eligible employers may be 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 the individual income tax return.

Research and Development Tax Credit enhanced

The Research and Development Tax Credit is made refundable for corporations who incur prescribed expenditures in Manitoba respecting new technologies and biotechnologies under an eligible contract with a qualifying Manitoba research institute. Corporations must have a permanent establishment in Manitoba, and eligible scientific research and experimental development expenditures must be incurred after 2009. Qualifying research institutes will include post-secondary institutions and prescribed research institutes in Manitoba.

The Department of Finance, Department of Science, Technology, Energy and Mines, and the Innovation Council will fully develop the refundable credit in 2009.

Further information on corporation income tax rates and credits may be obtained from Manitoba Finance – Taxation, Economic & Intergovernmental Fiscal Research Division (formerly 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 the Advanced-Level Apprentices Hiring Incentive may be obtained from Manitoba Competitiveness, Training and Trade – Apprenticeship Branch:

Telephone (204) 945-3337
Manitoba Toll Free 1-877-978-7233
Fax (204) 948-2346
E-mail apprenticeship@gov.mb.ca
Website http://www.gov.mb.ca/tce/apprent/future/apprent_taxcredit.html

Further information on the Co-op Education and Apprenticeship Tax Credits 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 the Community Enterprise Investment Tax Credit may be obtained from Manitoba Competitiveness, Training and Trade – Financial Services:

Telephone (204) 945-0141
Fax (204) 945-1193

PERSONAL TAX MEASURES

Education Property Tax Credit Base Amount increased The basic amount of the Education Property Tax Credit is increased from \$600 to \$650. Homeowners with sufficient property taxes will have this amount subtracted from their 2009 property tax bills, while renters with sufficient occupancy costs will receive the increased amount when they file their 2009 income tax return in the spring of 2010.

Registered Disability Savings Plan introduced The taxable portion of withdrawals from Registered Disability Savings Plans, introduced effective December 2008, will be excluded from family net income for the purposes of calculating three refundable Manitoba tax credits: the Education Property Tax Credit, the School Tax Credit for Homeowners and the Personal Tax Credit.

Primary Caregiver Tax Credit approval streamlined Starting in 2009, the Department of Family Services and Housing (FSH) will be authorized to assess participants of the Supported Living Program and the Children's Special Services Program to determine whether the participants' caregivers may be eligible for the Primary Caregiver Tax Credit (PCG-TC). Normal PCG-TC qualification criteria will still apply to these program participants.

If the FSH program participants are found by the Department to qualify, their caregivers may apply for the PCG-TC without additional approval from a regional health authority.

Community Enterprise Development Tax Credit enhanced The Community Enterprise Development Tax Credit is enhanced by increasing the maximum amount of issuable shares that a business can apply for under this program from \$500,000 to \$1 million, commencing in 2009.

Manitoba Mineral Exploration Tax Credit extended The Manitoba Mineral Exploration Tax Credit is extended to flow-through share agreements entered into before April 1, 2012. The tax credit is increased from 10% to 20% for flow-through shares agreements entered into after March 31, 2009 and before April 1, 2010, and to 30% for agreements entered into after March 31, 2010 and before April 1, 2012.

Dividend Tax Credit rate adjusted The dividend tax credit on taxable Canadian dividends that are not eligible dividends is reduced from 3.15% in 2008 to 2.5% in 2009 and 2010 and to 1.75% starting with the 2011 taxation year.

Further information on education property tax credits or 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 the Primary Caregiver Tax Credit may be obtained from Manitoba Family Services and Housing or Manitoba Health and Healthy Living:

Family Services and Housing
Telephone (204) 945-5870 in Winnipeg
Manitoba Toll Free 1-800-282-8069
Fax (204) 945-5668
E-mail dpeia@gov.mb.ca

Manitoba Health and Healthy Living
c/o At Your Service Manitoba
Manitoba Toll Free 1-866-626-4862

Further information on the Community Enterprise Development Tax Credit may be obtained from Manitoba Agriculture, Food and Rural Initiatives – Economic Development Initiatives:

Manitoba Toll Free 1-800-567-7334
Website <http://www.manitoba.ca/agriculture/ri>

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) 945-6564
Fax (204) 945-8427
E-mail minesinfo@gov.mb.ca

Further information on the dividend tax credit may be obtained from Manitoba Finance – Taxation, Economic & Intergovernmental Fiscal 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>

GREEN MEASURES

Green Energy Equipment Tax Credit enhanced The Green Energy Equipment Tax Credit is extended to solar thermal energy systems purchased for use in Manitoba starting in 2009. Specified equipment must be new and be conventional active solar heating equipment that is or will be used primarily for the purpose of heating liquid or gas.

Riparian Tax Credit enhanced The application deadline will be extended for the intake group running from 2009 through 2013. Effective with this intake group, the Riparian Tax Credit will be enhanced by doubling the basic per-acre credit for all categories of riparian land. In addition, the percentage premium for sloped riparian land is being increased from 20% to 30% of the basic credit. The off-site watering component of the credit will be made renewable for participants who complete one benefit period and sign up for the next available intake group.

These enhancements will also be made available to participants of previous intake groups whose benefit period has not yet expired.

Waste Reduction and Recycling Support Levy introduced

Commencing July 1, 2009, a waste reduction and recycling support levy is introduced on licensed municipal and private landfill operators of large Class 1 landfills. The largest operators of Class 1 landfills will be required to pay \$10 per tonne of waste delivered to their landfills.

In 2010, the remaining Class 1 licensed landfill operators will be required to pay the weight-based levy on waste delivered after 2009. Class 2 and Class 3 operators will begin to pay the weight-based fee on dates to be proclaimed.

80% of the revenue collected from this levy will be rebated to municipalities to further promote recycling in Manitoba, with the remainder of the funding for increased provincial programs for e-waste and hazardous waste collection across Manitoba. Levies and disbursements will be managed by Green Manitoba Eco Solutions, a special operating agency of the Province of Manitoba.

Odour Control Tax Credit extended

The Odour Control Tax Credit, which was scheduled to expire at the end of 2009, is extended to the end of 2011.

Further information on the Green Energy Equipment Tax Credit (corporations) or Odour Control Tax Credit may be obtained from Manitoba Finance – Taxation, Economic & Intergovernmental Fiscal 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 Green Energy Equipment Tax Credit (individuals) or Riparian Tax Credit 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 Waste Reduction and Recycling Support Levy may be obtained from Manitoba Science, Technology, Energy and Mines – Green Manitoba Eco Solutions:

Telephone (204) 945-3268
Manitoba Toll Free 1-866-460-3188
Fax (204) 948-3389
Website <http://www.greenmanitoba.ca>

MINING TAX

Rate reductions Effective for fiscal years ending after June 30, 2009, the mining tax rate will be reduced from 18% to the following graduated rates:

- 10% when total operator's profit is less than \$50 million
- 15% when total operator's profit is between \$55 and \$100 million
- 17% when total operator's profit is over \$105 million

Operators with total profit between the tax thresholds will pay at the following notch rates:

- For total profit of \$50 to \$55 million:
 - Tax = \$5 million + 65% x (total profit - \$50 million)
- For total profit of \$100 to \$105 million:
 - Tax = \$15 million + 57% x (total profit - \$100 million)

RETAIL SALES TAX

Exemption for educational workbooks Effective May 1, 2009, the sales tax exemption for books will be expanded to include educational workbooks.

Educational workbooks are publications which contain practice exercises and a space to provide answers related to improving reading, writing, mathematics or other skills. Please see the Taxation Division's *Notice – Exemption for Educational Workbooks* for additional information.

Exemption for slurry tanks and lagoon liners The exemption for manure slurry tanks and lagoon liners that are purchased for use in farm livestock operations, which was set to expire June 30, 2009, has been made permanent.

GASOLINE AND MOTIVE FUEL TAXES

Exemption for forest renewal activities Effective May 1, 2009, the gasoline and motive fuel tax exemptions for commercial logging operations are expanded to include fuel used in forestry renewal including scarification and site preparation.

Rate reduction for cargo flights Effective July 1, 2009, the aviation fuel tax rate for cargo flights is reduced from 3.2¢ per litre to 1.5¢ per litre.

Expanded exemption for international cargo flights Effective July 1, 2009, the fuel tax exemption for aviation fuel purchased in Manitoba for international cargo flights is expanded to include direct and indirect cargo flights to and from the United States. The exemption will be provided through a rebate program. Please see the Taxation Division's *Notice – Cargo Flights* for additional information.

TOBACCO TAX

Rate Increased Effective midnight March 25, 2009, the tax rates on tobacco products increased as follows:

	New Tax Rate	Previous Tax Rate
Cigarettes (each)	18.5¢	17.5¢
Fine Cut (per gram)	17.5¢	16.5¢
Raw Leaf (per gram)	16.0¢	15.0¢

The tax rate per cigar remains 75% of its price at retail to a maximum of \$5.00 per cigar.

Enhanced enforcement measures

To discourage the sale of illegal tobacco, the following enhanced enforcement measures are being implemented:

- prohibit the sale of single cigarettes,
- prohibit the sale of tobacco products over the internet,
- increased penalty and fine amounts for tobacco related offences,
- forfeiture of vehicles used in connection with tobacco tax offences,
- denial of driver's license renewals to those with unpaid fines for tobacco offences.

Further information on mining tax, retail sales tax, motive fuel tax, gasoline tax and tobacco 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

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

E-mail: MBTax@gov.mb.ca

ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.