

TAXATION CHANGES – 2012 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Stan Struthers in his Budget Address on April 17, 2012.

BUSINESS TAX MEASURES

Data processing investment tax credit A refundable Manitoba corporation income tax credit, 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, is established for property purchased or leased for use in a data processing centre in Manitoba 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 corporation must have a permanent establishment in Manitoba and its primary business activity, including the activities of its affiliates, must be data processing.

Neighbourhoods Alive! tax credit The non-refundable 30% Neighbourhoods Alive! Tax Credit will be amended, retroactive to April 13, 2011 when the credit began, clarifying the criteria for eligible donations to allow:

- donations made over multiple tax years to accumulate to the \$50,000 minimum threshold,
- large up front donations of up to \$200,000 to be used to earn the \$15,000 maximum tax credit in subsequent years provided in-kind contributions are made in each of those subsequent years, and
- limiting donations to the first four years of the new social enterprise and providing in-kind services to years two through five.

The charity must ensure that 25% of employees are facing multiple barriers to employment when they are hired by the social enterprise.

Co-op education and apprenticeship tax credit enhanced

Three components of this family of income tax credits are enhanced:

- The Early-Level Apprentice Hiring Incentive for Level 1 and 2 apprentices (currently 10% up to a maximum credit of \$2,000 per year per apprentice) is enhanced to 15% up to a maximum of \$3,000. This component is also expanded to cover employers eligible for the federal Apprentice Job Creation Tax Credit, who will receive a top-up in order to be treated consistently with other Manitoba tax credit recipients. An additional 5% tax credit will also be available for employers hiring early-level apprentices who normally reside outside Winnipeg and who normally report to an employer's office in rural and northern Manitoba.

- The Advanced-Level Apprentice Hiring Incentive for Level 3, 4 and 5 apprentices (currently 5% up to a maximum credit of \$2,500 per level per employee) is doubled to 10% up to a maximum of \$5,000.
- The Journeypersons Hiring Incentive (currently 5% up to a maximum credit of \$2,500 per year per full-time employee for the first two years) is doubled to 10% up to a maximum of \$5,000 per year.

The enhancements are available to employers of apprentices who complete a level after 2012, and employers of journeypersons newly certified after 2012.

Film and video production tax credit

The refundable Film and Video Production Tax Credit will be amended to allow accommodation costs incurred and paid up to \$250 per night per unit, exclusive of taxes, as eligible tangible property expenditures when calculating their cost-of-production tax credit. This change will apply to companies starting a film or video production after April 17, 2012.

GREEN MEASURES

Nutrient management tax credit introduced

Agricultural producers are eligible for a new, refundable income tax credit, the Nutrient Management Tax Credit, to facilitate meeting new requirements for water quality protection under *The Environment Act*.

Eligible entities are agribusiness corporations with a permanent establishment in Manitoba and unincorporated Manitoba-resident individuals engaged in farming, as well as agricultural operations owned by a partnership (in which case the credit is allocated among Manitoba-resident partners).

The credit is equal to 10% of the capital cost of prescribed nutrient management equipment, net of any government assistance received or receivable for it. The assets must be acquired and available for use after April 17, 2012 and before 2016.

Qualifying investments 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.

Further information on the data processing investment tax credit, Neighbourhoods Alive! tax credit, film and video production tax credit and nutrient management tax credit, may be obtained from Manitoba Finance - Taxation, Economic and Intergovernmental Fiscal Research Division:

Telephone: 204-945-3757

Fax: 204-945-5051

e-mail: feedbackfin@gov.mb.ca

Further information on the co-op education and apprenticeship tax credits may be obtained from Manitoba Finance –Tax Assistance Office:

Telephone: 204-948-2115 in Winnipeg

Toll-free: 1-800-782-0771

Fax: 204-948-2263

e-mail: tao@gov.mb.ca

PERSONAL TAX MEASURES

Dividend tax credit 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.

Manitoba mineral exploration tax credit The Mineral Exploration Tax Credit will be amended, retroactive to 2009, to ensure that a taxpayer who earns a tax credit in a higher tax credit year (at 20% or 30%) can carry back unused credits to a lower tax credit year (at 10% or 20%) and claim the same maximum amount as if the credit was earned in the prior year.

PROPERTY TAX MEASURES

Community revitalization levy The Community Revitalization Levy will be included as a “dwelling unit cost” for purposes of calculating the Education Property Tax Credit, and qualifying for the Advance, as well as the Pensioners’ School Tax Assistance.

Further information on the dividend tax and the mineral exploration tax credits may be obtained from Manitoba Finance - Taxation, Economic and Intergovernmental Fiscal Research Division:

Telephone: 204-945-3757

Fax: 204-945-5051

e-mail: feedbackfin@gov.mb.ca

Further information on the community revitalization levy may be obtained from Manitoba Finance –Tax Assistance Office:

Telephone: 204-948-2115 in Winnipeg

Toll-free: 1-800-782-0771

Fax: 204-948-2263

e-mail: tao@gov.mb.ca

RETAIL SALES TAX

Reduced filing frequency To reduce red tape and tax administration costs for businesses, the filing frequency for sales tax returns will be reduced. This measure will allow up to 17,000 businesses to file their sales tax returns less often after the June 2012 filing period. The following table summarizes the changes:

Filing Frequency	Average Monthly Sales Tax	Previous Threshold
Monthly	\$5,000 or more	\$1,000 or more
Quarterly	\$500 to \$4,999	\$500 to \$999
Annual	Less than \$500	Less than \$200

Eligible businesses will be contacted regarding their reduced filing options.

Exemption for recycled asphalt Effective May 1, 2012, the sales tax exemption for sand and gravel purchased by municipalities has been expanded to include recycled asphalt.

Insurance contracts

Effective July 1, 2012, sales tax will apply on the following types of insurance contracts: property and casualty insurance, group life insurance, trip cancellation insurance, baggage insurance and land titles insurance. Sales tax will apply where the insured person is a resident of Manitoba or on the premiums paid in respect to property located in Manitoba.

Sales tax will not apply on Autopac vehicle premiums or health, accident, sickness, and individual life insurance.

Please see Bulletin No. 061 – *Insurance* for further information.

Personal services

Effective July 1, 2012, sales tax will apply on the following personal services: spa treatments, non-medical skin and nail services (such as manicures, pedicures and facials), tattooing, piercing, and hair services (including hair removal and augmentation, hairstyling, haircuts and barber services).

Haircuts costing no more than \$50 will continue to be exempt from sales tax.

Please see Bulletin No. 062 – *Personal Services* for further information.

Tax on current value of dealer-use vehicles

Effective May 1, 2012, the simplified tax calculation of tax payable by motor vehicle dealers on temporary dealer-use vehicles will increase from \$30 to \$40 per month for new vehicles and from \$15 to \$20 per month for used vehicles.

Please see Bulletin No. 012 – *Motor Vehicle and Trailer Dealers* and Bulletin No. 013 – *Off-Road Vehicle and Boat Dealers* for further information.

CORPORATION CAPITAL TAX**Financial institutions tax rate increased**

Effective for fiscal years ending after April 17, 2012, the corporation capital tax rate for banks and trust and loan corporations will increase from 3% to 4%.

Banks and trust and loan corporations with taxable paid up capital (as an associated group) under \$4 billion continue to be exempt from corporation capital tax.

Please see Bulletin CCT 001 – *Corporation Capital Tax* for further information.

TOBACCO TAX**Tax rate increased**

Effective midnight April 17, 2012, the tax rates on tobacco products increase as follows:

	New Tax Rate	Previous Tax Rate
Cigarettes (each)	25.0¢	22.5¢
Fine Cut (per gram)	24.0¢	21.5¢
Raw Leaf (per gram)	22.5¢	20.0¢

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

FUEL TAX

Tax rate increased Effective May 1, 2012, the tax rates per litre on fuel products increase as follows:

	New Tax Rate	Previous Tax Rate
Clear Diesel	14.0¢	11.5¢
Clear Gasoline	14.0¢	11.5¢
Marked Gasoline	3.0¢	Exempt

The tax rates on other fuel products, such as propane, locomotive fuel, aviation fuel and heating fuel are unchanged.

TAX ADMINISTRATION

The following measures apply to tax debts and payments for sales tax, fuel tax, tobacco tax, health and education levy, mining tax, corporation capital tax, credit unions and caisses populaires profits tax and emissions tax:

Interest rate increased Effective July 1, 2012, the interest rate on tax debts will increase from prime plus 4% to prime plus 6%.

Dishonoured payments fee Effective May 1, 2012, the fee charged for dishonoured payments will increase from \$20 to \$25.

Further information on retail sales tax, corporation capital tax, tobacco taxes and fuel taxes 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
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.