

Tax highlights from the 2017 Manitoba budget

Finance Minister Cameron Friesen tabled the 2017 Manitoba provincial budget on April 11, 2017, the second budget of the newly elected government. The forecast deficit for the recently completed 2016-2017 fiscal year now stands at \$872 million compared to an earlier budget projection of \$911 million. The budget projects that deficits will continue for the next several years with deficits of \$840 million, \$698 million and \$549 million for the 2017-2018, 2018-2019 and 2019-2020 fiscal years respectively.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2017. However, as part of the government's ongoing review of provincial tax benefits, deductions, rebates and exemptions, the government did announce a number of changes to personal and business tax credits in an attempt to simplify the tax credit system and reduce compliance costs.

The following pages are a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2017 budget leaves personal income tax rates unchanged from 2016. Tax brackets and other amounts have been indexed by 1.5% to recognize the impact of inflation. The table below shows Manitoba tax rates and brackets for 2017.

Taxable income range	2017 tax rates
\$9,272 - \$31,465	10.80%
\$31,466 - \$68,005	12.75%
\$68,006 and over	17.40%

The table below shows the combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2017 combined tax rates
Regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Non-eligible dividends	45.74%

Primary caregiver tax credit

This credit is a refundable individual income tax credit that recognizes the support unpaid caregivers provide in assisting care recipients – including spouses, relatives, neighbours or friends – to stay in their own homes longer. It benefits care providers even if they are not taxable and is available regardless of whether the care provider and recipient reside together or apart. Budget 2017 proposes the following amendments to the credit:

- The annual credit claimable by a caregiver is capped at a maximum of \$1,400 in 2017 and future years. The limit of three care recipients is removed but the maximum credit cannot exceed \$1,400.
- Eligibility for this credit now begins in the year that the application is submitted to the assessing authority (i.e., a Regional Health Authority or the Department of Families). Starting this year, retroactive claims for years prior to 2017 are not permitted.

Tuition fee income tax rebate

The Tuition Fee Income Tax Rebate is being phased out commencing in 2017. Effective for the 2017 tax year, the annual cap an individual graduate can claim for this rebate is the lesser of Manitoba income tax payable, 10% of eligible tuition fees, or \$500 (reduced from \$2,500). The rebate is fully eliminated for the 2018 tax year at which time no rebate credits will be claimable and any unclaimed rebate credits will lapse.

Tuition fee income tax rebate advance

Currently, students residing in Manitoba and attending a post-secondary institution are able to claim a Tuition Fee Income Tax Rebate Advance in the form of a refundable 5% tax credit on tuition and ancillary fees. Budget 2017 proposes to eliminate the Tuition Fee Income Tax Rebate Advance effective for tuition and ancillary fees paid in relation to a school term that begins after April 2017.

Mineral exploration tax credit

The Mineral Exploration Tax Credit, scheduled to expire on December 31, 2017, is extended to December 31, 2020.

Political contributions tax credit

Effective for the 2018 tax year, the Political Contributions Tax Credit is enhanced by increasing the maximum eligible contribution from \$1,275 to \$2,325. This will result in an increase in the total available annual credit from \$650 to \$1,000.

CORPORATE TAX MATTERS

Corporate income tax rates

There were no changes proposed to corporate income tax rates.

The table below shows Manitoba tax rates and the small business limit for 2017.

Category	2017 tax rates
General rate	12%
Manufacturing and processing rate	12%
Investment income rate	12%
Small business rate	0%
Small business limit	\$450,000

The table below shows the 2017 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2017 combined tax rates
Small business income	10.5%
Active income over \$500,000	27.0%
Manufacturing and processing income	27.0%
Investment income	50.7%

Manufacturing investment tax credit

The Manufacturing Investment Tax Credit (MITC), scheduled to expire on December 31, 2017, is extended to December 31, 2020. Also, effective for qualifying property acquired after April 11, 2017, the non-refundable portion of the MITC is reduced from 2% to 1%. This change does not impact the tax credit on qualified property acquired before April 12, 2017. The 8% refundable MITC is not impacted by this change.

Research and development tax credit

Effective for eligible expenditures made after April 11, 2017, the Research and Development Tax Credit is reduced from 20% to 15%. The credit is 100% refundable for research and development performed under contract with a prescribed Manitoba institution, including post-secondary institutions, and 50% refundable otherwise.

Book publishing tax credit

The Book Publishing Tax Credit, scheduled to expire on December 31, 2017, is extended to December 31, 2018.

Corporation capital tax

Budget 2017 proposes the elimination of the \$10 million capital tax deduction effective for fiscal years ending after April 30, 2017.

Corporations with less than \$5,000 in tax payable in a fiscal year that make an annual instalment for Corporation Capital Tax will no longer be required to do so. As a result of this change, any capital tax owing by the corporation is to be remitted when filing their annual Corporation Capital Tax Return.

Co-operative development tax credit

The Co-operative Development Tax Credit is eliminated for contributions made after April 11, 2017. Unused credits on eligible contributions are available to be carried forward.

Odour control tax credit

The Odour Control Tax Credit is eliminated for expenditures made after April 11, 2017. This does not impact unused credits on eligible expenditures made by businesses before April 12, 2017.

Nutrient management tax credit

Budget 2017 proposes the elimination of the Nutrient Management Tax Credit for expenditures made after April 11, 2017. This does not impact the carry forward of unused credits for eligible expenditures made before April 12, 2017.

Riparian tax credit

Budget 2017 eliminates this credit effective immediately. The change does not impact eligibility for unused credits on five-year commitments made before April 12, 2017.

Neighbourhoods alive! Tax credit

Since its introduction in 2011, there have been no claimants of this credit. As a result, Budget 2017 proposes the elimination of this credit effective immediately.

Data processing investment tax credits

Budget 2017 eliminates this credit effective immediately. This does not impact credits earned but which remain unused and eligible to be carried forward by corporations or partnerships for qualified property purchased or leased before April 12, 2017.

Paid work experience tax credit

Effective starting with the 2017 tax year, Crown corporations and other provincial government entities are no longer eligible for the Paid Work Experience Tax Credit. This does not affect the eligibility of other entities.

Interactive digital media tax credit

The Interactive Digital Media Tax Credit, scheduled to expire on December 31, 2019, is extended to December 31, 2022.

OTHER PROPOSALS

Technical and administrative measures

Technical updates to the Income Tax Act will be made to keep the following programs, which were phased out by the federal government in 2016:

- The children's art and cultural activity tax credit;
- The fitness tax credit; and
- The Manitoba education amount.

In addition, legislation will be amended to ensure that the following credits are targeted to Manitoba residents:

- The seniors' school tax rebate; and
- The volunteer firefighter and search and rescue tax credits.

WE CAN HELP

Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs, and show you ways to take advantage of their benefits or ease their impact. The resources available to you and your advisor include Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

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