

Tax highlights from the 2018 Manitoba budget

Finance Minister Cameron Friesen tabled the 2018 Manitoba provincial budget on March 12, 2018. The forecast deficit for the recently completed 2017-2018 fiscal year now stands at \$726 million compared to an earlier budget projection of \$840 million. The budget projects that deficits will continue for the next several years with deficits of \$521 million, \$388 million, \$280 million and \$142 million for the 2018-2019, 2019-2020, 2020-2021 and 2021-2022 fiscal years respectively.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2018. However, the government increased the small business deduction beginning in 2019 and announced measures relating to the Manitoba carbon tax and certain personal and business tax credits.

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 2018 budget leaves personal income tax rates unchanged from 2017. Tax brackets and other amounts have been indexed by 1.2% to recognize the impact of inflation. The table below shows Manitoba tax rates and brackets for 2018.

Taxable income range	2018 tax rates
First \$31,843	10.80%
\$31,844 - \$68,821	12.75%
\$68,822 and over	17.40%

The table below shows the 2018 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2018 combined tax rates
Regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Non-eligible dividends	45.92%

Basic personal amount

Effective for the 2019 tax year, the basic personal amount (BPA) will be increased from \$9,382 to \$10,392, equal to \$109 tax savings for an individual. Effective for the 2020 tax year, the BPA will be increased from \$10,392 to \$11,402, equal to another \$109 tax savings for an individual. This increases the BPA by a combined \$2,020 by 2020.

Primary caregiver tax credit

Effective immediately, the primary caregiver tax credit implements a flat \$1,400 annual credit available to all eligible caregivers. The requirement to provide a minimum of 90 days of care before eligibility commences remains in place. The requirement to complete an application for pre-approval has been eliminated.

Education property tax credit

Effective for 2019, the calculation of the education property tax credit will be based on school taxes and the \$250 deductible will be eliminated. The seniors' education property tax credit will also be calculated on the school tax portion. This change makes all property tax credits based on school taxes.

Annual school taxes that are equal to or greater than \$700 will receive the full rebate amount.

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 2018.

Category	2018 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 2018 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2018 combined tax rates
Small business income under \$450,000 / \$500,000	10.0% / 22.0%
Active income over \$500,000	27.0%
Manufacturing and processing income	27.0%
Investment income	50.7%

Small business deduction

The small business income limit eligible for the small business deduction increases from \$450,000 to \$500,000 on January 1, 2019. The savings for a corporation as a result of this enhancement are up to \$6,000 per year.

Small business venture capital tax credit

This 45% investment tax credit offsets Manitoba income tax otherwise payable. Effective March 12, 2018, the \$15 million revenue cap on the size of an eligible corporation is eliminated and the investment minimum is lowered from \$20,000 to \$10,000.

Child care centre development tax credit

A new refundable income tax credit will be available for private corporations that create new child care centres for a total benefit of \$10,000 per new infant or preschool space created, claimable over five years. The credit would be available for licensed spaces created by a taxable corporation that is not primarily engaged in child care services, effective after Budget day and before 2021. The total number of spaces will initially be limited to 200 under this program, but may be increased over time.

Credit unions and caisses populaires profits tax

Credit unions and caisses populaires in Manitoba are currently subject to a 1% profits tax on taxable income over \$400,000. Effective January 1, 2019, the Credit Unions and Caisses Populaires profits tax is eliminated.

Credit unions special deduction

The special tax deduction which currently allows credit unions and caisses populaires to pay a lower rate of tax on a portion of their income is being phased out over five years beginning on January 1, 2019. Credit unions will continue to have access to the small business deduction.

Book publishing tax credit

The book publishing tax credit, scheduled to expire on December 31, 2018, is extended for one year to December 31, 2019.

Cultural industries printing tax credit

The cultural industries printing tax credit, scheduled to expire on December 31, 2018, is extended for one year to December 31, 2019.

Rental housing construction tax credit

Effective for January 1, 2019, the rental housing construction tax credit is eliminated. Projects currently under provincial review or with provincial approvals are not affected. No new project applications will be processed after 2018 and any future projects must be available for use before 2021.

Labour-sponsored funds tax credit

The labour-sponsored funds tax credit is eliminated for shares acquired after 2018.

OTHER PROPOSALS

Carbon tax

Manitoba's carbon tax, announced on October 27, 2017, will impose a \$25 tax per tonne of greenhouse gas emissions beginning on September 1, 2018. It will be paid by consumers of fuel products in Manitoba and will apply to gas, liquid, and solid fuel products intended for combustion.

The increased costs for the main types of fuel consumed in Manitoba will be as follows:

Fuel type	Carbon tax rate per unit
Gasoline	5.32 cents/litre
Diesel	6.71 cents/litre
Natural gas	4.74 cents/metre ³
Propane	3.87 cents/litre

Some fuels and their uses are exempt from the carbon tax. Main exemptions include:

- Agricultural process emissions: All agricultural process-related emissions are exempt from the carbon tax (e.g., emissions from soil and animals).
- Marked fuels: All marked fuels, including marked gasoline and marked diesel, will be exempt from the carbon tax.
- Output-Based Pricing System (OBPS) Entities: Until 2019, all entities that are to be included by the government in the OBPS will receive an exemption or a refund from the carbon tax on all emissions from fuels consumed on site and process emissions. The OBPS will apply to entities emitting at least 50,000 tonnes of CO₂eq per year, with smaller emitters able to opt-in upon review and approval by the government.

Additional administrative guidance will be made available in 2018.

Retail sales tax

The following exemptions will be applied effective May 1, 2018:

- Drill bits designed specifically for oil or gas exploration or development
- Fertilizer bins used in a farming operation.

Tobacco tax

Effective midnight, March 12, 2018, the tobacco tax rate for fine cut tobacco is increased from 28.5¢ per gram to 45¢ per gram. The tobacco tax rate on cigarettes, cigars and raw leaf tobacco remains unchanged.

Administrative and technical tax matters

Several new measures will streamline, amend and enhance the:

- Income tax act
- Small business deduction for credit unions

- Research and development tax credit
- Green energy equipment tax credit
- Community enterprise development tax credit.

Chiropractors Act

Amendments will allow chiropractors to provide their professional services in Manitoba through a professional corporation.

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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