

## Tax highlights from the 2016 Manitoba budget

Finance Minister Cameron Friesen tabled the 2016 Manitoba provincial budget on May 31, 2016. This is the first budget of the newly elected government and comes part way into the current fiscal year. The forecast deficit for the recently completed 2015-2016 fiscal year now stands at just over \$1 billion, compared to the original 2015 budget projection of a \$422 million deficit, which was subsequently updated to a deficit of \$773 million in the previous government's pre-election fiscal update. This budget projects a deficit of \$911 million for the 2016-2017 fiscal year. The current projection is for a return to surplus in the government's second term, if they are re-elected, sometime after 2020.

On the income tax side, there were no increases or decreases to personal or corporate income tax rates for 2016. However, the government proposed indexation of both the basic personal amount and personal income tax brackets, to bring Manitoba in line with most other provinces and the federal government. The government also announced a value for money review of the personal and business tax credit systems to ensure that they are delivering effective results.

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 2016 budget leaves personal income tax rates unchanged from 2015. Manitoba has been one of only three provinces that does not index tax brackets to reflect the impact of inflation and the three current tax brackets have been in place since 2009. The table below shows Manitoba tax rates and brackets for 2016.

Taxable income range	2016 tax rates
\$9,135 - \$31,000	10.80%
\$31,001 - \$67,000	12.75%
\$67,001 and over	17.40%

The new federal marginal tax rate of 33% for taxable income in excess of \$200,000 became effective January 1, 2016. The table below shows the combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2016 tax rates
Regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Non-eligible dividends	45.69%

## Indexation of personal income tax brackets

The budget proposes to index Manitoba personal income tax brackets beginning in the 2017 tax year. Tax brackets will be indexed by the Manitoba consumer price index (CPI) for the twelve-month period of October 2015 to September 2016. Tax brackets will continue to be indexed in subsequent years. The index factor for 2017 will be known by November 2016, following the release of provincial inflation figures by Statistics Canada.

## Indexation of basic personal amount

The basic personal amount (BPA) for 2016 is \$9,134. This is the amount of income that can be earned free of tax. Manitoba is one of the few jurisdictions that does not index this amount although it has increased it occasionally on a lump sum basis. The budget proposes to index the BPA in 2017 by the same factor as noted above. The BPA will continue to be indexed in subsequent years.

## CORPORATE TAX MATTERS

---

### Corporate income tax rates

There were no changes proposed to any corporate income tax rates. The table below shows Manitoba tax rates and the small business limit for 2016.

Category	2016 tax rates
General rate	12%
Manufacturing & processing rate	12%
Small business rate	0%
Small business limit	\$450,000

### Small business venture capital tax credit

The budget proposes to extend the small business venture capital tax credit, which was scheduled to expire on December 31, 2016, until December 31, 2019. The province intends to review the parameters of this tax credit to improve accessibility for Manitoba companies.

### Green energy equipment tax credit

The budget proposes to extend eligibility for this tax credit to include gasification equipment and equipment for co-generation of energy using biomass fuel. These types of equipment will now be eligible for the 15% tax credit when installed in Manitoba and used in a business.

### Interactive digital media tax credit

The budget proposes to review the interactive digital media tax credit, which is scheduled to expire on December 31, 2019. The review will focus on considering enhancements to the eligibility requirements, particularly for larger companies who intend to create jobs in Manitoba.

## **OTHER PROPOSALS**

---

### **Seniors' school tax rebate**

This rebate is for eligible Manitoba resident homeowners who are 65 or older, or who have a spouse or common-law partner who is age 65 or older.

The budget proposes that the maximum rebate for the 2016 and subsequent property tax years remain at \$470. The rebate will now be calculated on net school taxes paid after the basic and senior's education property tax credits are taken into account. In addition, the rebate will become income-tested, and will be reduced by 2% of net family income for senior households over \$40,000. Senior households with family net income of \$63,500 and over will no longer receive the rebate.

Rather than continuing with a separate application and rebate process, the rebate will now be delivered through the annual income tax return. This will permit retroactive claims of up to three years, but only for the 2016 and subsequent rebates.

### **Retail sales tax**

The budget proposes that out-of-province vendors that hold an inventory of taxable goods in Manitoba that are available for sale to Manitoba customers must register to collect and remit retail sales tax, effective June 1, 2016.

### **Technical and administrative measures**

The budget notes that enforcement and administrative measures will be enhanced under The Tax Administration and Miscellaneous Taxes Act and The Retail Sales Tax Act. No further details were provided.

## **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.

Although this material has been compiled from sources believed to be reliable, we cannot guarantee its accuracy or completeness. All opinions expressed and data provided herein are subject to change without notice. The author of this publication is employed by an affiliate of CI Investments. The information is provided solely for informational and educational purposes and is not intended to provide, and should not be construed as providing individual financial, investment, tax, legal or accounting advice. Professional advisors should be consulted prior to acting on the basis of the information contained in this publication. The Assante symbol and Assante Wealth Management are trademarks of CI Investments Inc., used under license.