



2018 Manitoba budget summary

March 2018

Tax alert

On March 12, 2018, Finance Minister Cameron Friesen tabled Manitoba's 2018-19 budget (Budget 2018). This budget reduces taxes for small business corporations and individuals by increasing the corporate small business limit and basic personal amount. Budget 2018 also reconfirms the government's commitment to reducing the province's deficit and returning Manitoba to fiscal balance.



A major priority of Manitoba's provincial government has been reducing the province's deficit. Budget 2018 provides the following projections to address this goal:

Year	Projected deficit
2017-18	\$726 million
2018-19	\$521 million

While Budget 2018 projects a reduced deficit, the province's summary net debt levels are expected to increase from \$23.9 billion in 2017-18 to \$25 billion in 2018-19.

Business tax measures

Corporate tax rates

Effective January 1, 2019, the \$450,000 provincial small business limit has been increased to \$500,000. This change serves to bring Manitoba's provincial limit in line with the federal limit.

No further changes to the corporate tax rates were included in Budget 2018 and Manitoba remains the only province that does not levy an additional provincial tax on small business income below the \$450,000 (proposed \$500,000) limit.

Manitoba's combined federal and provincial corporate tax rates for 2018 - 2019 are summarized in Table A below:

Table A

Manitoba combined corporate tax rates

Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2018	10.00% ¹	27.00%	27.00%
2019	9.00% ¹	27.00%	27.00%

¹ The federal small business tax rate was decreased from 10.5% to 10% as of January 1, 2018 and will decrease further to 9% on January 1, 2019.

Child Care Centre Development Tax Credit

To stimulate the development of licensed child care centres in Manitoba workplaces, a new \$10,000 refundable tax credit (claimable over five years) has been introduced for private corporations. The credit will become available for spaces created after March 12, 2018 and before 2021.

This credit is limited to taxable private corporations that are not primarily engaged in the provision of child care services (Budget 2018 initially limits this program to 200 spaces).

Small Business Venture Capital Tax Credit

Effective March 12, 2018, the Small Business Venture Capital Tax Credit has been enhanced to allow access for larger corporations and smaller investments by shareholders. These enhancements make the following changes:

- The \$15 million revenue cap on the size of an eligible corporation is eliminated.
- The investment minimum is lowered from \$20,000 to \$10,000.

Credit extensions

The following credits have been extended to the dates indicated below:

Credit	Extension date
Manitoba Book Publishing Tax Credit	December 31, 2019
Cultural Industries Printing Tax Credit	December 31, 2019

Credit eliminations

The following credits have been eliminated:

- The Rental Housing Construction Tax Credit will be eliminated effective January 1, 2019. This elimination will not affect projects currently under provincial review or those that have already received provincial approval, but no new applications will be processed after 2018. To avoid being impacted by the elimination, any future projects must be available for use before 2021.
- The Labour-Sponsored Funds Tax Credit will be eliminated for shares acquired after 2018.
- The special deduction available to credit unions is being phased out over five years beginning January 1, 2019. This deduction allows credit unions to pay a lower rate of tax on a portion of their income.
- The credit unions and caisses populaires profits tax will be eliminated effective January 1, 2019. This tax currently levies an additional 1% profits tax on credit unions with taxable income over \$400,000.

Personal tax measures

Personal income tax rates

Beginning in the 2017 taxation year, Manitoba's personal tax brackets are now indexed to inflation on an annual basis. Budget 2018 reconfirms this indexation but provides no further changes to the personal tax brackets and rates. The rates for 2018 are as follows:

- 10.80% on the first tax bracket (up to \$31,843)
- 12.75% on the second tax bracket (from \$31,844 up to \$68,821)
- 17.40% on the third tax bracket (over \$68,821)

Table B illustrates the top combined federal-Manitoba marginal rate of tax on various types of income for 2018:

Table B

Manitoba combined marginal personal tax rates

Taxable income	2018
Interest	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Regular dividends	45.92%

Basic personal amount

Beginning in Budget 2016, it was announced that the basic personal amount would be indexed going forward in order to provide additional tax savings for Manitobans.

Budget 2018 has continued this trend by providing further increases to the basic personal amount as follows:

- Effective for the 2019 tax year, the amount will be increased from \$9,382 to \$10,392
- Effective for the 2020 tax year, the amount will be increased from \$10,392 to \$11,402

Primary Caregiver Tax Credit

Effective March 12, 2018 the Primary Caregiver Tax Credit system was simplified and caregivers will now only be required to submit a completed registration form to Manitoba Finance prior to claiming the credit on their personal tax return. If an individual made an application under the previous method (submitting an application to Manitoba Families or the Regional Health Authorities) between January 1, 2018 and March 12, 2018, this application will be forwarded to Manitoba Finance.

The amount of the credit was also simplified as of March 12, 2018 and will provide a flat annual credit amount of \$1,400 to all eligible caregivers.

Education Property Tax Credit

Effective for the 2019 taxation year, the Education Property Tax Credit will be simplified to eliminate the \$250 deductible and calculate the credit based on school taxes. As a result of this change, school taxes that are equal to or greater than \$700 will receive the full rebate amount.

Provincial sales tax (PST)

Reduction in the PST rate

To improve Manitoba's business tax competitiveness, Budget 2018 has also proposed that the PST be reduced from 8% to 7% in 2020.

Retail sales tax

Effective May 1, 2018, the following products will now be exempt from retail sales tax:

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

Other measures

Carbon tax

Effective September 1, 2018, Manitoba's carbon tax program will impose a tax of \$25 per tonne of greenhouse gas emissions (gas, liquid and solid fuel products intended for combustion). It is estimated that this tax will generate \$143 million in revenue during the 2018/2019 fiscal year.

To protect certain industries from the impact of this tax, certain fuels will be excluded:

- Agricultural process emissions (*for example, emissions from soil and animals*)
- Marked fuels (*for example, marked gasoline and marked diesel consumed in the agricultural sector*)
- Output-Based Pricing System (OBPS) entities (*for example, entities emitting 50,000 tonnes of CO₂eq per year will receive an exemption until 2019*)

The projected impact of this tax on the main types of fuels consumed in Manitoba is 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

It has been noted that the carbon tax program will be administered through the existing fuel tax system as well as through Manitoba Hydro.

Tobacco tax

Effective March 13, 2018, the tobacco tax levied on fine cut tobacco will be increased from \$0.285 per gram to \$0.45 per gram. No other changes to tobacco tax rates have been proposed.

Administrative measures

The following administrative changes have been made as a result of Budget 2018:

- The Chiropractors Act will be amended to allow chiropractors to provide their professional services through a professional corporation.
- The Income Tax Act will be amended to allow new or first time homeowners to access the education property tax credit by self-assessing and notifying their municipal office at any time during the year, as opposed to making an application to Manitoba Finance during a limited period of time.