

Budget 2020

Saskatchewan

Making sense of what's next.

June 2020

On June 15, 2020, Finance Minister Donna Harpauer tabled Saskatchewan's 2020-21 budget. For 2020-21, the government has projected revenues of \$13.6 billion (a decrease of 8.3% from last year) and expenses of \$16.1 billion (an increase of 7.2% from the prior year's budget) resulting in a deficit of approximately \$2.4 billion.

Due to the uncertainty caused by the COVID-19 pandemic, the government has not provided projections for future years.



Business tax measures

Corporate tax rates

The budget does not propose any changes to corporate tax rates, or the \$600,000 small business limit.

Saskatchewan's corporate tax rates for 2020 are summarized as follows:

Combined federal and Saskatchewan corporate tax rates		
Year	Provincial	Combined federal and provincial
Small business tax rate (income up to \$500,000)	2%	11%
Small business tax rate (income between \$500,000 and \$600,000)	2%	17%
General corporate tax rate	12%	27%
Manufacturing and processing tax rate	10%	25%

Manufacturing and processing exporter tax incentive

This tax credit was introduced in 2015 for eligible businesses to expand their production and export capacity. Eligible Saskatchewan businesses received a non-refundable tax credit of \$3,000 for each incremental full-time employee hired between 2015 and 2019. It was originally set to expire in 2019 but has been extended to 2022.

Oil Infrastructure Investment Program

As previously announced in its 2020-2021 Estimates document released on March 18, 2020, the government's spending plan introduces the Oil Infrastructure Investment Program. This program will provide a new tax incentive worth 20% of approved expenditures to support new and expanded pipelines, as well as new pipeline terminals. This will be administered by the Ministry of Energy and Resources.

Saskatchewan chemical fertilizer incentive

Budget 2020 introduces this new incentive to provide a 15% tax credit to encourage new investment. Further information is expected soon.



Personal tax measures

Personal income tax rates

Saskatchewan discontinued indexing of personal tax brackets in 2018. Budget 2020 re-introduces indexation of personal tax brackets from 2021. It also proposes no further changes to the personal tax brackets and rates for 2020. The rates for 2020 are as follows:

- 10.5% on the first tax bracket (up to \$45,225)
- 12.5% on the second tax bracket (from \$45,226 to \$129,214)
- 14.5% on the third tax bracket (over \$129,215)

The top combined federal Saskatchewan marginal tax rates for 2020 are as follows:

Taxable income	2020
Interest	47.50%
Capital gains	23.75%
Eligible dividends	29.64%
Regular dividends	40.37%



Provincial sales tax measures

Budget 2020 proposes no changes to the current provincial sales tax (PST) rate of 6%.

New home construction

As previously announced in its Estimates released for 2020-2021, the provincial government will provide a PST rebate for new home construction. The credit will be up to 42% of the PST paid on a new home purchase, provided certain criteria are met.

Specifically, eligible new homes must have

- a maximum value of \$350,000, excluding land; and
- a purchase date between March 31, 2020 and April 1, 2023.

Non-residents

The province is also expected to introduce measures to ensure non-residents collect PST on their sales in Saskatchewan. This includes out-of-province e-commerce platforms. This measure will make the requirement for registration and collection of PST more stringent for non-resident suppliers who make taxable sales in the province. Legislation will be introduced or amended shortly to implement this measure.

Exploratory and downhole drilling activity

As previously mentioned in Saskatchewan's growth plan, the provincial government has retroactively reinstated PST exemptions for exploratory and downhole drilling activity in the mining sector. Effective December 1, 2019, certain drilling services related to exploration and specified mine site drilling for hard rock, potash and coal, and helium or other non-hydrocarbon gases are exempt from PST.

Additionally, effective December 1, 2019, downhole servicing and repair services are exempt from PST when directly related to

- the drilling of helium or other non-hydrocarbon gas wells; or
- an exempt drilling service related to exploration hole drilling and specified mine site drilling for hard rock, potash and coal.

COVID-19 funding

The 2020-21 budget indicates the following measures introduced by the provincial government since March 18, 2020 in response to the pandemic:

- \$171.4 million of new capital stimulus funding and \$205 million for schools, hospital and highways, totaling \$376 million of capital stimulus funding
- \$150 million for the Accelerated Site Closure Program
- \$56 million for the Temporary Wage Supplement
- \$50 million for the Saskatchewan Small Business Emergency Payment
- \$50 million in emergency pandemic support for First Nations and Métis organizations
- \$12.6 million for Canada Emergency Commercial Rent Assistance program
- \$11.7 million of other measures, including the Self-Isolation Support Program

Lastly, the 2020-21 budget includes a contingency of \$200 million for health and safety sectors.