

Budget 2021

# Saskatchewan

Making sense of what's next.

## April 2021

On April 6, 2021, Finance Minister Donna Harpauer tabled Saskatchewan's 2021-22 budget (Budget 2021).

The estimates provided in Budget 2021 show a deficit of \$1.86 billion for the 2020-21 fiscal year, which is \$561 million less than the deficit projected for the same fiscal year in the previous budget. The government extends its plan to balance the budget to 2026-27.

Fiscal results for the next four years are projected as follows:

Year	Projected deficits
2021-22	\$2.61 billion
2022-23	\$1.69 billion
2023-24	\$1.16 billion
2024-25	\$770 million



## Business tax measures

### Corporate tax rates

The government introduced legislation prior to Budget 2021 to temporarily reduce the small business rate from two percent to nil, effective October 1, 2020 and restore the rate back to two percent by July 2023. The amended small business rates are as follows:

Period	Small business tax rate
Oct. 1, 2020 to June 30, 2022	0%
July 1, 2022 to June 30, 2023	1%
July 1, 2023 onwards	2%

Budget 2021 does not propose any changes to the \$600,000 small business limit.

Saskatchewan's corporate tax rates for 2021 are summarized as follows:

### Combined federal and Saskatchewan corporate tax rates

	Provincial	Combined federal and provincial
Small business tax rate (income up to \$500,000)	nil	9.0%
Small business tax rate (income between \$500,000 and \$600,000)	nil	15.0%
General corporate tax rate	12.0%	27.0%
Manufacturing and processing tax rate	10.0%	25.0%

### Saskatchewan Technology Start-up Incentive (STSI)

Budget 2021 proposes to extend the Saskatchewan Technology Start-up Incentive (STSI) program for an additional five years, through the 2025-26 fiscal year.

STSI was first introduced in Budget 2018 and provides a non-refundable 45 percent income tax credit to Saskatchewan-based investors who invest in eligible technology start-up businesses (ESBs). More details can be found on the STSI [webpage](#).

In addition to the program extension, the government proposes the following changes to the program:

- Increase the amount that an ESB can raise under the program from \$1 million to \$2 million
- Increase the carry forward period to claim unused tax credits from four years to seven years
- Establish a \$2.5 million cap on the value of tax credits that can be issued per year

### Associated Natural Gas Royalty Moratorium

For the five-year period from April 1, 2021 to March 31, 2026, the province is implementing a zero percent royalty rate on all natural gas produced in association with oil. The purpose of this moratorium is to encourage oil producers to reduce methane emissions.

### High Water-Cut Oil Royalty Incentive

In an effort to promote the improvement of water-handling capacities at oil wells, a new royalty benefit is being introduced. The benefit provides a two percent royalty rate reduction for five years from April 1, 2021 to March 31, 2026.

Qualifying criteria include:

- Eligible active oil wells: 90 percent water-cut in previous three consecutive months
- Eligible shut-in/suspended wells: shut-in/suspended for previous six consecutive months, with previous three producing months with minimum 90 percent water-cut
- Average minimum capital investment of \$20,000 to improve water-handling capability and extend production life of well

### Sodium Sulphate Royalty Incentive

Changes are being introduced to the sodium sulphate royalty that will be retroactive to April 6, 2020. The changes will

- introduce a three percent flat royalty rate on all sodium sulphate production, instead of the existing scaled production-based royalty and
- introduce a 10 percent capital investment credit on capital projects that diversify products or improve operating efficiency, which can be used against current year royalties otherwise payable.

## Personal tax measures

### Personal income tax rates

Saskatchewan’s personal tax brackets are indexed to inflation on an annual basis. No further changes to the personal tax brackets and rates are proposed. The rates for 2021 are as follows:

Tax brackets	Marginal tax rates
\$45,677 or less	10.5%
\$45,678 - \$130,506	12.5%
\$130,507 and over	14.5%

The top combined federal/Saskatchewan marginal tax rates for 2021 are as follows:

Taxable income	2021
Interest	47.50%
Capital gains	23.75%
Eligible dividends	29.64%
Regular dividends	42.29%

### Home Renovation Tax Credit

The government introduced a Home Renovation Tax Credit (HRTC), which is a 10.5 percent non-refundable tax credit on up to \$20,000 of eligible home renovation expenses incurred between October 1, 2020 and December 31, 2022.

Expenses eligible for the proposed tax credit include labour costs, building materials, fixtures, equipment rentals and permits. More details can be found on the [HRTC webpage](#).



### Active Families Benefit

Budget 2021 proposes to restart the Active Families Benefit (AFB), retroactive to January 1, 2021.

AFB is a refundable income tax credit and provides up to \$150 per year per child to families with less than \$60,000 in annual income. Families with children with disabilities are entitled to up to \$200. Qualifying activities include sports, arts and cultural activities. More details will be released soon.

## Sales and excise tax measures

Budget 2021 proposes no changes to the current provincial sales tax (PST) rate of six percent and the taxability of any goods and services subject to the PST.

### Taxation of vapour products

Budget 2021 introduces a new Vapour Products Tax (VPT), which is 20 percent on the retail price of all vapour liquids, products and devices, effective September 1, 2021. Retailers selling vapour products will be required to obtain a VPT license and to submit a VPT return.

### Taxation of heat-not-burn tobacco products

Budget 2021 also proposes to tax heat-not-burn tobacco at a rate of approximately 75 percent of the tax rate on tobacco cigarettes, effective June 1, 2021.

As a result, the tax on heat-not-burn tobacco products will be 20.5 cents per stick. In comparison, cigarettes are taxed at 27 cents per stick.

### Taxation of electric vehicles

Budget 2021 introduces a new annual tax of \$150 for each passenger electric vehicle (EV) registered in the province to pay for highway maintenance, as EVs are not subject to the road-use Fuel Tax. The new tax will be effective October 1, 2021.

## Other notable items

### Health

\$6.5 billion is being provided for healthcare funding, which is a \$359 million increase from the previous year. Of that increase, \$90 million will be spent to support the province's COVID-19 response, including its mass vaccination program.

### Education

\$3.75 billion is being spent on education, which is an increase of \$391 million from the previous year. This will cover increases in operating funding for schools, additional childcare, as well as student supports, including an increase to the Saskatchewan Advantage Scholarship from \$500 to \$750 annually.

### Rebate programs

Two previously announced rebate programs for individuals will continue:

- Saskatchewan Economic Recovery Rebate, which provides a 10 percent rebate on individuals' power bills.
- Auto Fund recovery rebate—also known as the SGI rebate—providing an average of \$285 to vehicle owners (paid in May).

### Seniors Income Plan

An additional \$3.5 million of funding to increase payments to low income seniors, increasing by \$30 a month, as of July 1, 2021.

