



TAXATION CHANGES – 2002 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on April 22, 2002.

RETAIL SALES TAX

Reduced filing frequency To reduce tax administration costs for small businesses, the tax return filing frequency will be reduced effective July 1, 2002. This measure will allow 25,000 businesses to file their sales tax returns less often. Quarterly and annual filing options based on the calendar year will be available.

Filing Frequency	Monthly Sales Tax
Annual	Less than \$200
Semi-Annual	\$200 - \$499
Quarterly	\$500 - \$999
Monthly	\$1,000 or more

The Taxation Division will contact all eligible businesses to inform them of their reduced filing options.

Exemption for sanitary napkins and tampons Effective May 1, 2002, sanitary napkins, tampons and sanitary belts will be exempt from sales tax.

Exemption for manure slurry tanks and lagoon liners extended The exemption for manure slurry tanks and lagoon liners that are purchased for use in farm livestock operations has been extended to June 30, 2003.

Expanded gifting exemption Effective April 22, 2002, the exemption for gifts received from a family member has been expanded to include common-law partners of the same gender. Common-law partners qualify for the exemption after cohabiting for 3 years (reduced from 5 years).

Non-resident vendors are required to collect sales tax To help level the playing field for Manitoba businesses, effective May 1, 2002, non-resident vendors that advertise or solicit orders in Manitoba will be required to register and collect Manitoba sales tax on taxable goods delivered into the province. For further information see Bulletin No. 004 *Information for Vendors*.

Simplified sales tax application on mechanical and electrical contracts

Effective July 1, 2002, the application of sales tax on mechanical and electrical contracts will be simplified. Contractors will purchase all mechanical and electrical materials required to fulfill their contracts exempt of tax, and will collect and remit tax on the **total** contract price. For contracts in progress, work performed after June 30, 2002, will be subject to the new tax application.

Electrical and mechanical contractors will no longer need to determine if the installed materials remain tangible personal property or become real property after installation.

Bulletin No. 005 *Information for Contractors* and Bulletin No. 008 *Installation, Repairs and Improvements to Real Property* will be updated to provide further information on this change.

Tax on current value of demonstrator vehicles

Effective June 1, 2002, motor vehicle dealers will be required to pay sales tax on their taxable use of vehicles purchased for resale, based on the vehicle's current value. The tax payable will be calculated at 7% of 1/36th of the vehicle's current value for each month that a vehicle is used for a taxable purpose. See Bulletin No. 012 *Motor Vehicle and Trailer Dealers* for further information.

\$25 refund processing fee

Manitoba is the only province with a refund program for the private buy/sell of a vehicle, aircraft, and snowmobile. To reduce the cost of operating this program, a \$25 processing fee will be deducted from all buy/sell refunds processed by the Taxation Division, effective July 1, 2002.

MOTIVE FUEL TAX**Blended propane rate**

To reduce tax administration costs and facilitate tax reporting for business, effective July 1, 2002, the three existing propane tax rates will be blended into one rate of 3.0¢ per litre. The new blended tax rate will apply to all purchases of propane including commercial heating, vehicle fuel and portable cylinder fills.

TOBACCO TAX**Rate increased**

Effective midnight April 22, 2002, the tax rate on tobacco products increased. The tax rate on cigarettes increased from 9.6¢ to 14.5¢ each; on fine-cut tobacco from 8.3¢ to 13.2¢ per gram; and on raw leaf tobacco from 7.0¢ to 11.9¢ per gram.

PAYROLL TAX**Bonding of non-resident contractors**

To ensure a level playing field for Manitoba contractors regarding payroll tax, effective July 1, 2002, non-resident contractors will be required to obtain a bond, or provide a deposit, to cover the estimated payroll tax liability resulting from their contract in Manitoba.

Non-resident contractors may request a tax clearance letter from the Taxation Division Audit Branch prior to receiving their contract holdback instead of providing a bond or deposit. This measure is consistent with the bond/deposit requirements for sales tax.

**ALL PROVINCIALY ADMINISTERED TAX STATUTES
(Excludes Income Tax)****Interest rate increase**

Effective July 1, 2002, the interest rate on tax debts under all provincially administered tax statutes will increase from prime plus 2% to prime plus 4% (adjusted twice annually on January 1st and July 1st). This measure affects retail sales tax, motive fuel tax, gasoline tax, revenue tax, tobacco tax, payroll tax, mining tax and corporation capital tax debts.

Commissions eliminated for large businesses

Effective July 1, 2002, commissions will be eliminated for businesses with more than \$2 million in annual taxable sales. This will affect large businesses that collect retail sales tax, revenue tax, tobacco tax, motive fuel tax and gasoline tax.

Further information on provincial taxes may be obtained from Manitoba Finance – Taxation Division:

Winnipeg Office

101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll Free 1-800-782-0318
Fax (204) 948-2087
E-mail: MBTax@gov.mb.ca
Web Site: www.gov.mb.ca/finance/taxation

Westman Regional Office

311, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763

For specific wording of the law, please refer to the applicable Act and Regulations.

CORPORATION INCOME TAX**Small
business
income
threshold
increased**

Canadian-controlled private corporations that qualify for the federal small business deduction pay a reduced rate of Manitoba corporation income tax, 5% versus 16.5%. The 2001 Budget increased the income threshold from \$200,000 to \$300,000 on January 1, 2002. The 2002 Budget increases the income threshold further, to \$320,000 on January 1, 2003, to \$360,000 on January 1, 2004 and to \$400,000 on January 1, 2005. The enhanced amounts, like the federal small business limit, must be prorated amongst associated corporations. Where a taxation year straddles a calendar year, the enhanced threshold amount is prorated.

**Film Tax
Credit
improved**

The Manitoba Film and Video Production Tax Credit, introduced in 1997, will be amended. The credit will continue to be calculated at 35% of eligible salaries paid to Manitoba residents and deemed residents. The credit calculated based on 22.5% of total production costs is removed. Also, producers may now make an irrevocable election to calculate the tax credit equal to 10% of costs incurred in Manitoba. Finally, the legislation will be amended to explicitly include New Media productions that parallel existing film and video formats.

Further information on Corporation Income Tax changes may be obtained from Manitoba Finance – Federal-Provincial Relations and Research Division.

910 - 386 Broadway Avenue
Winnipeg, Manitoba R3C 3R6
Telephone (204) 945-3757
Fax (204) 945-5051
E-mail: fedprov@gov.mb.ca
Web Site: www.gov.mb.ca/finance/fedprov

Further information on the Manitoba Film and Video Production Tax Credit may be obtained from Manitoba Film and Sound Recording Development Corporation:

410 - 93 Lombard Avenue
Winnipeg, Manitoba R3B 3B1
Telephone (204) 947-2040
Fax (204) 956-5261
E-mail: explore@mbfilmsound.mb.ca
Web Site: www.mbfilmsound.mb.ca

PERSONAL INCOME TAX**Indexation of personal non-refundable tax credits**

Personal non-refundable tax credits amounts are increased by 3.0% for the 2002 taxation year, the same as federally. The pension amount and education amounts are prescribed values, consistent with federal practice. Source deductions will be adjusted commencing July 1, 2002.

Non-refundable Tax Credit Amount	Value for 2001	Value for 2002
Basic personal amount	\$7,412	\$7,634
Age amount	\$3,619	\$3,728
- income threshold	\$26,941	\$27,749
Spousal amount	\$6,294	\$6,482
- income threshold	\$629	\$649
Equivalent to spouse amount	\$6,294	\$6,482
- income threshold	\$629	\$649
Amount for infirm dependants	\$3,500	\$3,605
- income threshold	\$4,966	\$5,115
Caregiver amount	\$3,500	\$3,605
- income threshold	\$11,953	\$12,312
Disability amount	\$6,000	\$6,180
Disability Supplement	\$3,500	\$3,605
- threshold for child & attendant care expenses	\$2,050	\$2,112

Mineral Exploration Tax Credit introduced

A 10% non-refundable personal income tax credit, the Manitoba Mineral Exploration Tax Credit, is introduced. The credit will supplement the 15% federal exploration tax credit. Eligible investors must be residents of Manitoba. The credit is calculated based on the value of flow-through shares acquired in qualifying corporations, which are to expend all or significantly all of the funds raised on mineral exploration activity in Manitoba.

Equity Tax Credit extended

The Manitoba Equity Tax credit, introduced in 1999, is available for acquisitions of eligible securities acquired no later than June 30, 2002. The 2002 Budget extends the eligibility period to June 30, 2005. Individual investors earn a 5% annual credit, to a maximum \$1,500, based on the cost of eligible shares acquired in a qualifying corporation. The lifetime credit for a particular acquisition by an investor is 15%, to a maximum \$4,500, over 36 months. The credit is calculated daily depending on an investor's holding period.

Political Contributions Tax Credit

The Manitoba Political Contributions Tax Credit is enhanced to conform with the federal limits, commencing with the 2002 taxation year. Individuals will now receive a 75% on the first \$200 contribution. Credits for contributions between \$200 and \$550 remain at 50%, and contributions above \$550 remain at 33.33%.

Learning Tax Credit eliminated

The 4% Learning Tax Credit is eliminated for the 2002 taxation year. Claims by students and other affected persons remain unchanged when filing their 2001 income tax returns.

Further information on the Learning Tax Credit, Political Contributions Tax Credit and the non-refundable tax credit amounts may be obtained from Manitoba Finance – Tax Assistance Office:

309 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 948-2115 in Winnipeg
Manitoba Toll Free 1-800-782-0771
Fax (204) 948-2263
E-mail: TAO@gov.mb.ca

Further information on the Manitoba Mineral Exploration Tax Credit may be obtained from Manitoba Industry, Trade and Mines:

Minerals Policy and Business Development Unit

360-1395 Ellice Avenue
Winnipeg, Manitoba R3G 3P2
Telephone (204) 945-6564
Fax (204) 945-8427
E-mail: minesinfo@gov.mb.ca

Further information on the Manitoba Equity Tax Credit may be obtained from Manitoba Industry, Trade and Mines – Financial Services Branch:

555 - 155 Carlton Street
Winnipeg, Manitoba R3C 3H8
Telephone (204) 945-7343
Fax (204) 945-1193
E-mail: kbenton@gov.mb.ca
Web Site: www.gov.mb.ca/itm/trade/invest/bus_facts/tax/tax.html

EDUCATION SUPPORT LEVY

Education Support Levy reduced The Education Support Levy is a province-wide property tax based levy that goes to local school divisions. Provincially, the 2002 property tax statements will reflect a reduction in the mill rate from 18.06 to 16.50 on commercial property and from 7.92 to 6.64 on residential property. The new rates will be slightly different for the City of Winnipeg.

Further information on the Education Support Levy may be obtained from Schools' Finance Branch – Manitoba Education, Training and Youth:

511 - 1181 Portage Avenue
Winnipeg, Manitoba R3G 0T3
Telephone (204) 945-6910
Fax (204) 948-2000
E-mail: mbedu@merlin.mb.ca

For specific wording of the law, please refer to the applicable Act and Regulations.