

## TAXATION CHANGES – 2004 BUDGET

The following 2004 and 2005 taxation changes were announced in previous Budget Addresses.

Tax rate changes	2004/05	2005/06
<b>PERSONAL INCOME TAX</b>		
Middle bracket rate cut to 14.0%, January 1, 2004	(39.0)	(39.0)
<b>CORPORATION INCOME TAX</b>		
General rate cut to 15.5%, January 1, 2004	(11.5)	(11.5)
General rate cut to 15.0%, January 1, 2005	-	(11.5)
Small business threshold increased to \$360,000 for 2004	(0.3)	(0.5)
Small business threshold increased to \$400,000 for 2005	-	(0.3)
Subtotal	(11.8)	(23.7)
<b>TOTAL</b>	<b>(50.8)</b>	<b>(62.7)</b>
Amounts are in millions of dollars and may not add due to rounding		

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on April 19, 2004.

### EDUCATION SUPPORT LEVY

**Manitoba  
Education  
Support Levy  
reduced**

The Education Support Levy is a province-wide property tax based levy that is used to support kindergarten to Senior 4 education. Provincially, the 2004 property tax statement will reflect a reduction in the mill rate for residential property from 5.28 mills to 4.56 mills. The new rates may be slightly different for the City of Winnipeg.

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

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

**RIPARIAN TAX CREDIT**

**Riparian Tax Credit extended** The Riparian Tax Credit is extended for one year with applications being accepted during 2004/05 from agricultural operators. Participants commit to maintaining specific management practices on riparian land throughout the 2005 to 2007 calendar years to receive a property tax credit benefit in each of those years.

**PERSONAL INCOME TAX**

**Community Enterprise Development Tax Credit** The seven-year carry-forward period will be extended to 10 years for the Community Enterprise Development Tax Credit.

**Further information on personal income tax rate reductions or other 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](mailto:TAO@gov.mb.ca)

**CORPORATION INCOME TAX**

**Carry-forward extension** Effective for the 2004 tax year, the non-capital loss carry-forward period will be extended by three years from seven to 10 years.

In addition, the seven-year carry-forward period will be extended to 10 years for:

- The Manufacturing Investment Tax Credit;
- The Research and Development Tax Credit

**Odour Control Tax Credit** A 10% non-refundable corporation income tax credit is introduced for businesses that implement measures to control nuisance odours that arise or may arise from the use or production of organic waste. Eligible expenditures include capital property acquired for the purpose of preventing, reducing or eliminating nuisance odours, such as lagoon covers, straw cannons and filters.

The credit is earned on eligible expenditures made after April 19, 2004 and before January 1, 2007.

**Co-operative Education Tax Credit** The Co-operative Education Tax Credit will now include a three-year carry-back and 10-year carry-forward provision.

**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](mailto:fedprov@gov.mb.ca)  
Web Site: [www.gov.mb.ca/finance/fedprov](http://www.gov.mb.ca/finance/fedprov)

### **FILM AND VIDEO PRODUCTION TAX CREDIT**

**Extension** The Manitoba Film and Video Production Tax Credit is extended for another three years to March 1, 2008. It was scheduled to expire on March 2, 2005.

**Frequent Filming Incentive** A 5% frequent filming incentive will now be provided. A corporation that produces three eligible films in two years will earn a 5% additional credit on eligible salaries paid for the third qualifying production.

To be eligible for the incentive, principal photography for the third production must commence after April 19, 2004, and principal photography on the previous two eligible films must not have been substantially completed before April 20, 2003.

**Rural and Northern Incentive** A 5% rural and northern incentive is introduced. It applies to eligible salaries paid for work performed in Manitoba on productions where a permanent establishment of the applying corporation is located, and 50% of principal photography days take place, 40km from Winnipeg. Principal photography on an eligible film must start after April 19, 2004.

**CRTC Broadcast License restriction** The restriction that a corporation cannot hold or be associated with a corporation that holds a CRTC broadcast license is removed. This change is in effect for applications received after April 19, 2004.

**Further information on the Film and Video Production Tax Credit may be obtained from Financial Services—Industry, Economic Development and Mines:**

1040-259 Portage Avenue  
Winnipeg, Manitoba R3B 3P4  
Phone (204) 945-2475  
Fax: (204) 945-1193

**LAND TRANSFER TAX****Tax rate changes**

A transfer of title for property valued in excess of \$200,000 will now be subject to a 2% tax rate on the excess amount. There is no change for titles to properties valued \$200,000 and under. The revised rate schedule applies to the tendering of transfers at Land Titles Offices as of May 17, 2004.

<b>Value of Property</b>	<b>Rate</b>
On the first \$30,000	0.0%
On the next \$60,000 (i.e. \$30,001 to \$90,000)	0.5%
On the next \$60,000 (i.e. \$90,001 to \$150,000)	1.0%
On the next \$50,000 (i.e. \$150,001 to \$200,000)	1.5%
On amounts in excess of \$200,000	2.0%

**Further information on Land Transfer Tax 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](mailto:fedprov@gov.mb.ca)  
 Web Site: [www.gov.mb.ca/finance/fedprov](http://www.gov.mb.ca/finance/fedprov)

**RETAIL SALES TAX****Legal, accounting, architectural, engineering, security and private investigation services**

Effective July 1, 2004, sales tax will apply on certain legal, accounting, architectural, engineering, security and private investigation services. For contracts in effect on the implementation date, services performed before July 1, 2004 are exempt, while services provided after June 30, 2004 are subject to sales tax.

See the following bulletins for further information:

- No. 056 *Legal Services*
- No. 057 *Accounting Services*
- No. 058 *Engineering and Architectural Design Services*
- No. 059 *Security and Private Investigation Services*.

**Exemption for clip-on sunglasses**

Effective April 19, 2004, sales tax will no longer apply on clip-on sunglasses when sold with prescription glasses. See Bulletin No. 034 – *Optometrists and Opticians* for further information.

**Expanded buy/sell refund program** Effective April 19, 2004, the private sale of a dirt bike is eligible for a sales tax refund under Manitoba's buy/sell refund program. Manitoba is the only province with a refund program for the private buy/sell of a vehicle, snowmobile, all-terrain vehicle and aircraft.

**Exemption for used footwear** Effective April 19, 2004, the sales tax exemption on used footwear is increased from \$20 to \$100.

### TOBACCO TAX

**Rate increased** Effective midnight April 19, 2004, the tax rate on tobacco products increased as follows:

	<b>New Tax Rate</b>	<b>Previous Tax Rate</b>
Cigarettes (each)	17.5¢	15.5¢
Fine Cut (per gram)	16.5¢	14.5¢
Raw Leaf (per gram)	15.0¢	13.0¢
Cigars (each)	75% of retail price*	60% of retail price

\* Maximum of \$5.00 tax per cigar.

### CORPORATION CAPITAL TAX

**Subordinated debt for bank, trust and loan corporations** Effective for fiscal years ending after April 19, 2004, the tax base for bank, trust and loan corporations will include subordinated debt in the calculation of taxable paid up capital.

### MOTIVE FUEL TAX

**Rate increased** Effective midnight April 30, 2004, the tax rate on road use diesel fuel will increase from 10.9¢ to 11.5¢ per litre.

### PAYROLL TAX

**Inter-jurisdictional common carriers** An amendment clarifies that remuneration paid to an employee driver for a trip solely within Manitoba is taxable, even when the load continues with another driver outside the province. Remuneration paid to an employee driver for a trip inside and outside Manitoba remains exempt.

**ALL PROVINCIALLY ADMINISTERED TAX STATUTES  
(Excludes Income Tax)**

- Late filing penalty** Effective June 1, 2004, the late filing penalty under all provincially administered tax statutes will increase to 10%. This penalty applies to late remittances of retail sales tax, motive fuel tax, gasoline tax, revenue tax, tobacco tax, payroll tax, mining tax and corporation capital tax.
- Commissions eliminated for larger vendors** Effective June 1, 2004, commissions will be eliminated for monthly sales tax vendors that report tax on sales over \$3,000. Commissions paid to collectors of tobacco tax, motive fuel tax, gasoline tax and revenue tax will be eliminated.

**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](mailto:MBTax@gov.mb.ca)  
Web Site: [www.gov.mb.ca/finance/taxation](http://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.**