

TAXATION CHANGES – 1999 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Harold Gilleshammer in his Budget Address on April 29, 1999.

PERSONAL INCOME TAX

- Tax rate reduced**
- Manitoba's basic personal income tax rate will be reduced by three percentage points by January 2000. The rate, currently 50% of basic federal tax, is reduced to 48.5% of basic federal tax for the 1999 tax year, and further reduced to 47% of basic federal tax on January 1, 2000. Income tax source deductions will be adjusted effective July 1, 1999, with tax withholdings reflecting a rate of 47% of basic federal tax for the balance of 1999.

Inquiries regarding the personal income tax rate reduction should be directed to:

Manitoba Tax Assistance Office
309 – 401 York Avenue
Winnipeg MB R3C 0P8
Telephone: (204) 948-2115
Manitoba Toll Free: 1-800-782-0771
E-mail: TAO@gov.mb.ca

- Manitoba Equity Tax Credit**
- Effective April 30, 1999 and up to June 30, 2005, individuals may obtain, over a 36 month period, non-refundable income tax credits equal to a maximum of 15% of the acquisition price of new qualifying common shares listed on the Winnipeg Stock Exchange by eligible small and medium-sized corporations in Manitoba.

An individual may claim the lesser of \$1,500 per year, or 5% of the acquisition cost of eligible shares held in a given calendar year. For shares held only for part of the calendar year, the 5% value will be pro-rated on a daily basis.

The Manitoba Equity Tax Credit will be deductible against Manitoba personal income tax. A qualifying share for which the individual earns a credit may also be held in a self-directed RRSP or a RRIF.

Eligible corporations (including affiliated corporations) will have: less than \$50.0 million in assets; no more than 500 employees of whom at least 25%

are employed in Manitoba; at least 25% of the corporation's (including affiliated corporation's) wages paid to employees for services rendered in Manitoba.

Applications by eligible corporations to issue qualifying shares will be determined by the Minister of Industry, Trade and Tourism. The tax credit will be claimed on the investor's annual personal income tax return, which is administered by Revenue Canada Taxation.

Inquiries regarding the Manitoba Equity Tax Credit should be directed to:

Financial Services Branch
Department of Industry, Trade and Tourism
555 – 155 Carlton Street
Winnipeg MB R3C 3H8
Telephone: (204) 945-2916
Fax: (204) 945-1193
E-mail: jkilgour@gov.mb.ca

CORPORATION INCOME TAX

Small business tax rate reduced

- Manitoba's small business income tax rate will be cut from 9% to 5% in four stages by 2002. The rate is reduced from 9% of corporate taxable income to 8% effective July 1, 1999. The rate will drop to 7% of corporate taxable income on January 1, 2000, to 6% on January 1, 2001, and to 5% on January 1, 2002. The rate will be calculated *pro rata* for corporate taxation years straddling more than one period with different rates.

Extension of the Film & Video Production Tax Credit

- The Manitoba Film & Video Production Tax Credit, introduced in the 1997 Budget and scheduled to expire in 2000, will be extended for two years. The credit is equal to 35% of eligible salaries paid to residents and qualifying non-residents after 1996 and up to the 60th day of the year 2002 for work performed in Manitoba on an eligible film. The film tax credit is administered by Revenue Canada Taxation. Manitoba Film and Sound Recording Development Corporation and the Manitoba Department of Finance process applications.

For information, contact:

Manitoba Film and Sound Recording
Development Corporation
333 – 93 Lombard Avenue
Winnipeg MB R3B 3B1
Telephone: (204) 947-2040
Fax: (204) 956-5261
E-mail: explore@mbfilmsound.mb.ca
or Alexa@mbfilmsound.mb.ca

Extension of the Manufacturing Investment Tax Credit

- Manitoba's Manufacturing Investment Tax Credit allows corporations to deduct from their Manitoba Corporation Income Tax otherwise payable, 10% of new manufacturing plant and equipment acquired for first-time use in manufacturing or processing in Manitoba. This measure is extended for an additional 3 years from July 1, 2000 to June 30, 2003. The credit is claimed upon filing of the annual T2 corporation income tax return.

The credit is administered on behalf of the Province by Revenue Canada Taxation.

For information, contact:

Corporation Services, Revenue Canada
(204) 983-8091

RETAIL SALES TAX**Increased exemption for children's clothing and footwear**

- Commencing April 30, 1999, the sales tax exemption limit for clothing and footwear purchased for children under age 15 is increased from \$100 to \$150 per item. Clothing or footwear ordinarily sold in sets or pairs is regarded as a single item. Any item of clothing or footwear sold for a price in excess of \$150 remains fully taxable.

For exempt sales of clothing and footwear larger than specified sizes, the seller is required to obtain written certification from the customer that the item is bought for a person under 15 years of age. The \$150 per item exemption limit applies.

Taxation Division Bulletin No. 001, which has been updated and distributed to retailers, provides detailed information on the exemption. If you sell children's clothing and have not received the updated bulletin, please contact the Taxation Division.

Extension of Tax Rebate to First-Time Homebuyers

- The Retail Sales Tax rebate to first-time homebuyers who purchase a new home in Manitoba has been extended for a further 12 months, to March 31, 2000. Qualifying persons will have until December 31, 2000 to file their rebate claim.

The rebate of up to \$2,500 applies to new, previously unoccupied homes purchased or built by the owner, and occupied before April 1, 2000. If the new home is purchased by March 31, 2000 but occupancy is taken during the period April 1 to July 31, 2000, a reduced rebate amount may be allowed.

For further information regarding eligibility for the rebate, or to get the rebate claim form, please contact the Taxation Division.

Exemption for Farm Manure Slurry Tanks and Lagoon Liners

- Effective April 30, 1999, manure slurry tanks and lagoon liners purchased during the period April 30, 1999 to December 31, 2000 for use in farm livestock operations are exempt from the retail sales tax.

Livestock producers may buy the slurry tanks or lagoon liners without sales tax by providing a farm-use certificate to the seller. Where the items are supplied and installed for a tax-included contract price, the livestock producer can apply to the Taxation Division for a refund of the tax. Documentary proof of the amount of tax included in the contract price must be included with the refund claim.

The exemption is provided specifically for farm livestock operations. Other purchasers of waste storage tanks or lagoon liners will continue to be subject to retail sales tax.

Extended exemption for custom software

- The existing sales tax exemption for custom software is extended to exempt custom software sold after April 29, 1999 in the following circumstances:
 - sale or transfer of custom software between a parent corporation and its wholly-owned subsidiary, or between wholly-owned subsidiaries of the same parent corporation
 - included with the sale of an ongoing business
 - sale of custom software to a corporation, at the time of its incorporation, if the seller owns and retains 95% of the issued share capital of the purchaser, or if the consideration received by the seller consists solely of shares of capital stock of the purchaser, that are equal in fair value to the fair value of the custom software sold.

To qualify for the above exemptions, the sale or transfer must include all of the rights, title and interest in and to the custom software. For instance, the sale of only a copy of the software would not qualify for tax exemption.

Additional information is available from the Taxation Division.

CORPORATION CAPITAL TAX

- Technical amendments were announced to:
 - make the provisions for policy reserves consistent for both resident and non-resident insurance companies.
 - clarify the provisions respecting a receiver's responsibility where a corporation ceases to exist in Manitoba. A person (receivers or others) who distributes a corporation's assets prior to obtaining a clearance certificate from the Taxation Division as required under the Act is personally liable and may be assessed for any tax, interest and penalties payable by the corporation that would have been paid out of the assets distributed.

Further information about these technical amendments is available from the Taxation Division.

MINING TAX

- **Tax rate reduced** The mining tax rate is reduced from 20% to 18% of mining profits, effective

for taxation years commencing after December 31, 1998.

MOTIVE FUEL TAX

Exemption for international ocean-going ships

- Commencing April 30, 1999, motive fuel sold to international ocean-going ships refueling at Churchill is exempt from motive fuel tax.

Further information on taxes, other than Income Tax, may be obtained from:

Winnipeg Office

Manitoba Finance - Taxation Division
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

Manitoba Finance -Taxation Division
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.