

TAXATION CHANGES – 2000 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on May 10, 2000.

PERSONAL INCOME TAX

Change to tax on income

New federal-provincial arrangements have made it possible for Manitoba to move to a less complex and more transparent “tax-on-income” system. Manitoba is replacing its old three-tax system – a basic Income Tax calculated as a share of Basic Federal Tax, a Net Income Tax and a Net Income Surplus – with a single set of brackets and rates based directly on taxable income.

Under the new system, taxpayers will continue to file a single income tax return for both their federal and provincial taxes.

Partial implementation takes place this year. The full system will be in place for 2001 with the following key features:

- There will be three tax brackets, with no Net Income Tax and no surtaxes.

Tax on taxable income up to \$30,544	10.9%
Tax on taxable income between \$30,544 and \$61,089	16.2%
Tax on taxable income over \$61,089	17.5%
- In 2002, the rate in the second bracket will fall to 15.6%, and the threshold between the second and third brackets will rise to \$65,000.
- A number of non-refundable tax credits are subtracted from the basic tax. Manitoba will continue to use the same tax credit items as the federal government, but their value will be significantly enhanced. Each of the “amounts” used to calculate the credits will rise, and the credit rate will rise from 8% to 10.9%. These two changes combined will result in credits that are 39% higher in 2001 than in 2000.
- The credits that depend on amounts actually paid – such as those for Canada Pension Plan contributions, Employment Insurance premiums, medical expenses and education costs – will all be credited at the new rate of 10.9%, effectively raising the tax credit value of each dollar claimed by 36%.
- A new Family Tax Reduction will replace the existing tax reduction. With an income offset of 1% - instead of 2% in the old system – benefits will be

available both to low-income families and to many more middle-income families. As well, the amounts for each child will rise from \$250 to \$300, delivering extra tax relief to families with children. The amount for persons with a disability, or for those supporting such a person, will also rise to \$300. The basic amount, the amount for a spouse or equivalent-to-spouse and the age amount will all be \$225.

- The tax credit for charitable donations will rise by 28% or more (depending on the size of the donation).
- Some 15,000 lower-income Manitoba taxpayers will cease to pay any income tax.
- On a tax year basis, these changes will save Manitoba taxpayers \$68 million in 2001 and a further \$34 million in 2002, for an annual total of \$102 million.
- **Inquiries regarding the personal income tax 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

PROPERTY TAX CREDIT

**Increased
credit**

- Starting with the 2000 tax year, the minimum Property Tax Credit is raised by \$75 from \$250 to \$325. The maximum Property Tax Credit is raised by \$75 from \$525 to \$600, and from \$625 to \$700 for seniors.
- The Property Tax Credit provides assistance based on property taxes and income. For tenants, 20% of rental payments is used as an estimate of property taxes paid for purposes of calculating the credit. The credit is equal to the lesser of:
 - (a) property taxes above \$250, or
 - (b) \$600 (\$700 for seniors) less 1% of family net income.
- Most homeowners receive their minimum entitlement of \$325 as a deduction on their municipal property tax statement, shown as the Resident Homeowner Tax Assistance. All tenants, and homeowners who qualify for more than the minimum amount, claim the Property Tax Credit on the Manitoba Income Tax return.

- **Inquiries regarding the property tax credit should be directed to:**

Manitoba Tax Assistance Office

309 – 401 York Avenue

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TOBACCO TAX

- Rate increased**
- Effective midnight May 10, 2000, the tax rate on tobacco products increased. The tax rate on cigarettes increased from 8.0¢ to 8.6¢ each; on fine-cut tobacco from 5.3¢ to 7.3¢ per gram; and on raw leaf tobacco from 4.0¢ to 6.0¢ per gram.

RETAIL SALES TAX

- Repairs to farm machinery**
- The Retail Sales Tax Act already has an exemption for farm implements and farm machinery. An amendment will clarify that repair parts for such exempt implements and machinery are also exempt from the tax.
- Directors' liability**
- A technical amendment was announced to clarify that Directors of a corporation are jointly and severally liable for all tax debts of the corporation.
- Telecommunications services**
- An amendment with respect to telecommunication services will make Manitoba's provisions consistent with the other provinces, and eliminate the possibility of double taxation with respect to these services. This amendment affects the section of the Act that determines whether or not a long distance call is taxable in Manitoba.

CORPORATION CAPITAL TAX

- Corporations ceasing to have a permanent establishment in the province**
- An amendment will clarify the provisions for corporations that cease to have a permanent establishment in Manitoba during a fiscal year. The amendment will establish the paid up capital for a corporation on a wind-up or amalgamation.

Further information on tobacco tax, retail sales tax or corporation capital tax 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.