



TAXATION CHANGES – 2001 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Honourable Gregory Selinger in his Budget Address on April 10, 2001.

RETAIL SALES TAX

Exemption for electronic books Effective May 1, 2001, the exemption for books is extended to include books on audiocassette, CD-ROM and other electronic media. The exemption criteria remains the same as for bound books, that is, electronic books must be produced for use by the general public, produced solely for educational, technical, cultural or literary purposes and contain no advertising.

Termination of exemption for non-farm chemicals Effective May 1, 2001, fertilizers, insecticides, fungicides, herbicides, rodenticides and weed control chemicals are subject to sales tax unless purchased by a farmer for farm use. Farmers must provide a farm-use exemption certificate to their supplier to obtain the exemption.

Peat moss, topsoil, potting soil, manure, loam, compost and lawn dressing continue to be exempt without condition. See Bulletin No. 003 Lawn and Garden Supplies.

Refund for vehicles removed from Canada The provisions for refunding sales tax paid on vehicles, snowmobiles and aircraft that are removed from Manitoba within 30 days of purchase for permanent use in another province or territory has been expanded. The provisions now extend to units removed from Canada within 30 days of purchase.

Bulk sale of a business Effective May 1, 2001, purchasers of a business sold in a bulk sale will be liable for any tax collected on “sales” or payable on “purchases” that the seller has not remitted (unless the purchaser obtains a clearance certificate issued by the Taxation Division). Previously the purchaser was only liable for any tax collected on “sales” that the seller had not remitted.

This amendment helps ensure that when a business is sold, the seller has paid all applicable sales tax on both purchases and sales up to the date of sale of the business.

Exemption for farm 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, 2002. Farmers who have purchased and paid sales tax on these items can apply to the Taxation Division for a refund of the sales tax paid.

TOBACCO TAX

Rate increased Effective midnight April 10, 2001, the tax rate on tobacco products increased. The tax rate on cigarettes increased from 8.6¢ to 9.6¢ each; on fine-cut tobacco from 7.3¢ to 8.3¢ per gram; and on raw leaf tobacco from 6.0¢ to 7.0¢ per gram.

CORPORATION CAPITAL TAX

Interest on refunds from reassessment An amendment is provided clarifying that refund interest resulting from a reassessment will be calculated on the amount of the tax change determined upon audit.

PAYROLL TAX

Prorated exemption for temporary employers Effective January 1, 2002, employers operating in Manitoba for less than 365 days in a calendar year are required to prorate the \$1 million annual exemption available to them. The prorate will be based on the number of days in the year that the employer maintains a permanent establishment in the province.

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

PERSONAL INCOME TAX

As of the 2001 tax year, Manitoba has completed the transition to a system with a single set of brackets and rates based on taxable income. The new system replaces Manitoba's old three-tax system, which had a basic Income Tax, a Net Income Tax and Net Income Surtax. Full details of the new, simplified system were presented in the 2000 Manitoba Budget.

Tax relief accelerated

The 2001 Manitoba Budget increases the tax reduction measures outlined in 2000.

- The tax rate in the middle bracket will fall from 16.2% in 2001, to 15.4% in 2002 and to 14.9% in 2003. This supersedes the reduction to 15.6% that was previously planned for 2002.
- The tax rate in the top bracket is reduced from 17.63% in 2000 to 17.4% in 2001. This supersedes the previously announced reduction to 17.5%.
- Manitoba is matching the federal reduction in the capital gains inclusion rate to 50%.
- The non-refundable tax credit amounts are increased for 2001 as shown in the table below. Each of the new amounts is equal to the corresponding federal amount. These enhancements benefit all taxpayers and eliminate income tax for 4,000 lower-income Manitobans.

These changes will save Manitoba taxpayers \$28 million in the 2001 tax year, and \$52 million when fully implemented. Personal income tax savings from the 2000 and 2001 budgets total \$165 million.

Changes to Non-Refundable Tax Credit Amounts

Non-Refundable Tax Credit Amount	Value for 2000	Value for 2001
Basic personal amount	\$7,231	\$7,412
Age amount	\$3,531	\$3,619
– income threshold	\$26,284	\$26,941
Spousal amount	\$6,140	\$6,294
– income threshold	\$614	\$629
Equivalent to spouse amount	\$6,140	\$6,294
– income threshold	\$614	\$629
Amount for infirm dependants	\$2,386	\$3,500
– income threshold	\$4,845	\$4,966
Caregiver amount	\$2,386	\$3,500
– income threshold	\$11,661	\$11,953
Disability amount	\$4,293	\$6,000
Disability supplement	\$2,941	\$3,500
– threshold for child & attendant care expenses	\$2,000	\$2,050

TAX CREDITS IN SUPPORT OF EDUCATION

Manitoba provides two tax credits to assist students or their families with the cost of post-secondary education: a non-refundable tax credit and a refundable Learning Tax Credit. Both credits are calculated from tuition costs and a base amount specified by the governments of Canada and Manitoba.

Base amount	For 2001 this base amount has been doubled from \$200 to \$400.
Non-refundable rate	The rate of Manitoba's non-refundable tax credit has also increased, from 8% to 10.9%.
Higher monthly education amount	The combined effect of these two measures is a substantial increase in the monthly amount that can be used to calculate the non-refundable tax credit. The value of the monthly education amount is now \$43.60 ($\$400 \times 10.9\%$) compared to the previous value of \$16 ($\$200 \times 8\%$) – an increase of 173%.
Learning Tax Credit rate	The Learning Tax Credit is calculated as a percentage (7% in 2000) of the same base used for the non-refundable tax credit. Therefore, increases in the education amount automatically increase the Learning Tax Credit unless there is a corresponding adjustment to the Learning Tax Credit rate. For 2001 and subsequent years, the Learning Tax Credit rate will be 4%.
Net increase	All post-secondary students will receive more provincial support through the tax system this year, since the value of the increase in the education amount exceeds the value of the reduction in the Learning Tax Credit rate.

EDUCATION PROPERTY TAX CREDIT

\$75 Increase	Starting with the 2001 tax year, the minimum Education Property Tax Credit will increase by \$75 from \$325 to \$400. The maximum Credit will increase by \$75 from \$600 to \$675, and from \$700 to \$775 for seniors. Each of these amounts was also increased by \$75 in the 2000 tax year.
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The Education Property Tax Credit provides assistance based on property taxes and income. For tenants, 20% of rental payments is used as an estimation of property taxes paid indirectly through rent. The credit is equal to the lesser of:

- (a) property taxes in excess of \$250, or
- (b) \$675 (\$775 for seniors) less 1% of net family income.

Most homeowners will receive their minimum entitlement of \$400 as a deduction on their municipal property tax statement. Tenants and homeowners qualifying for more than the minimum amount can claim the Education Property Tax Credit on the Manitoba Income Tax return.

Inquiries regarding the changes to Personal Income Tax, the Learning Tax Credit, the Non-Refundable Tax Credit for Education or the Education Property Tax Credit should be directed to:

Manitoba Tax Assistance Office

Manitoba Finance
Telephone: (204)948-2115 in Winnipeg
Manitoba Toll-free: 1-800-782-0771
Fax: (204)948-2263
E-mail: TAO@gov.mb.ca

CORPORATION INCOME TAX

Reduction in General Business Rate The general Corporation Income Tax rate will be reduced from 17% to 16.5% on January 1, 2002. It will fall by a further 0.5% each January 1 thereafter until it reaches 15% in 2005. The reductions will be prorated for corporation taxation years straddling January 1.

Increase in Small Business Threshold Canadian-controlled private corporations qualifying for the federal small business deduction pay a lower rate of Corporation Income Tax on the first \$200,000 of active business income. Manitoba's small business threshold will increase to \$300,000 effective January 1, 2002.

Reduction in Small Business Rate As announced in the 2000 Manitoba Budget, Manitoba's small business rate will fall from 6% to 5% on January 1, 2002.

For firms with active business income in the \$200,000 to \$300,000 range, the two measures will reduce the tax rate from 17% in 2001 to 5% in 2002. Both measures will be prorated for corporation tax years straddling January 1, 2002.

FILM AND VIDEO PRODUCTION TAX CREDIT

Extension The Manitoba Film and Video Production Tax Credit was scheduled to expire on March 2, 2002. It is now extended for another three years.

Cap removal To facilitate partnerships between smaller Manitoba companies and large firms, firms with assets exceeding \$50 million are now eligible for the credit.

ENVIRONMENTALLY SENSITIVE AREAS TAX CREDIT

New Credit Manitoba will introduce a new Environmentally Sensitive Areas Tax Credit to assist private landowners who take action to protect approved parcels of land. The assistance will be provided in the form of a deduction from municipal property tax bills, and will be administered in co-operation with municipalities.

Inquiries regarding Corporation Income Tax, the Film and Video Production Tax Credit or the Environmentally Sensitive Areas Tax Credit should be directed to:

Federal-Provincial Relations and Research Division

Manitoba Finance
Telephone: (204)945-3757
Fax: (204)945-5051
E-mail: fedprov@gov.mb.ca

LIQUOR MARK-UPS

Reductions for microbreweries Effective midnight April 10, 2001, the Manitoba Liquor Control Commission will reduce its mark-up rates for brewers producing less than 17,600 hectolitres per year. These microbreweries will now pay 91% of the regular rate on bottled beer and 81% of the regular rate on draft beer.

Inquiries regarding Liquor Mark-Ups should be directed to:

Vice-President, Finance and Licensing
Manitoba Liquor Control Commission
Telephone: (204)474-5512
Fax: (204)475-7287
E-mail: aahoff@mlcc.mb.ca