

## Backgrounder

### Budget 2006-07 Employees' Tool Tax Credit

Budget 2006-07 provides a provincial income tax credit to recognize the costs associated with purchasing, replacing and upgrading eligible tools by employees as a condition of their employment. The tax credit consists of two components: a **One-Time Trade Entry Tax Credit** amount and an **Annual Maintenance Tax Credit** amount. The maximum amount for each Credit is dependent upon the trade group that the individual is employed in. These credits are calculated as 11 per cent of a specified credit amount for each of the trade groups.

#### Trade Groups

Eligible trade groupings, as well as the maximum amounts that may be claimed for the One-Time Trade Entry Tax Credit and the Annual Maintenance Tax Credit, are shown in the table below:

Trade Groups and Tax Credit Amounts					
Trade Groups		One-Time Trade Entry Amount	Tax Credit	Annual Maintenance Amount	Tax Credit
<b>Group 1</b>	Hair stylist, bricklayer, drywaller, roofer, insulator, glazier, painter, floor covering installer	\$1,350	\$148.50	\$300	\$33
<b>Group 2</b>	Plumber, pipe fitter, gas fitter, carpenter, electrician, sheet metal worker, boiler maker, iron worker, auto body repairer	\$5,000	\$550	\$1,000	\$110
<b>Group 3</b>	Vehicle mechanics	\$9,000	\$990	\$1,500	\$165
<b>Group 4</b>	Heavy-duty mechanics	\$12,500	\$1,375	\$2,500	\$275

#### One-Time Trade Entry Tax Credit

The One-Time Trade Entry Tax Credit is intended to recognize the high initial cost of tools that are required to be purchased by employees to enter their trade. To be eligible for this tax credit, the following conditions apply:

- the employee must be performing a designated task in one of the four trade group categories;
- the employment must represent the employee's primary source of income;
- the tools must be purchased as a condition of employment; and,
- the actual cost of the tools purchased in the year in which the tradesperson commences employment must exceed the gross credit amount for that trade group.

The credit is only available to individuals in the year in which they commence employment in a particular trade. The Credit may only be earned once in a lifetime. Individuals who are not able to use the entire Credit amount in their first year of employment can carry forward the unused portion for up to an additional two taxation years.

### **Annual Maintenance Tax Credit**

The Annual Maintenance Tax Credit is intended to recognize the ongoing cost to a tradesperson of maintaining his or her tools that are required as a condition of employment. To be eligible for this tax credit, the following conditions apply:

- the employee must be performing a designated task in one of the four trade group categories;
- the employment must represent the employee's primary source of income; and,
- the tools must have been purchased as a condition of employment.

This Credit must be claimed in the current tax year, with no carry forward permitted for unused amounts.

### **Eligibility and Administration**

Saskatchewan will be asking the Canada Revenue Agency to assist in administering the employee tool tax credits by requesting that employees and employers complete a provincial tax form, similar to the existing T2200 Declaration of Conditions of Employment, declaring:

- that the individual is an eligible employee performing a designated task;
- that a legitimate employment relationship exists; and,
- that the tools were required as a condition of employment.

Individuals will file this declaration with their income tax return and compute and claim the tax credit as a reduction from their Saskatchewan income tax payable.

### **For more information:**

Taxation & Intergovernmental Affairs Branch  
Saskatchewan Finance  
Regina  
306-787-6722