



Saskatchewan  
Finance

Revenue Division  
2350 Albert Street  
Regina, Saskatchewan  
S4P 4A6

# Information Bulletin

April, 2004

**Updated: November 2006**

## SASKATCHEWAN INVESTMENT TAX CREDIT FOR MANUFACTURING AND PROCESSING

Was this bulletin useful?

[Click here to complete our short](#)

**READER SURVEY**

### General

The Saskatchewan Investment Tax Credit (ITC) for Manufacturing and Processing (M&P) is available to all M&P corporations filing a T2 Corporation Income Tax (CIT) Return with some allocation of taxable income to Saskatchewan. It is designed to encourage plant and equipment investment for use in M&P activities in Saskatchewan. The ITC applies as a percentage of the total capital cost of eligible building and machinery and equipment purchases.

The percentage rate of the ITC parallels the rate of the Saskatchewan Provincial Sales Tax. Therefore, for eligible purchases made after March 26, 1999 and before April 1, 2004, the ITC is equal to 6 per cent of the total capital cost of the asset. For eligible purchases made after March 31, 2004 and before October 28, 2006, the ITC is equal to 7 per cent of the total capital cost of the asset. For eligible purchases made after October 27, 2006, the ITC is equal to 5 per cent of the total capital cost of the asset.

As an example, a company purchasing a piece of equipment costing \$100 after October 27, 2006 would pay \$5 PST for a total cost of \$105. Calculation of the ITC is 5 per cent of the \$105 capital cost, for a credit of \$5.25.

The ITC is available for qualifying new M&P equipment and for qualifying used M&P equipment on which PST has been paid.

Corporations can use ITCs to lower their current year Saskatchewan CIT liability. The 2006 Budget announced the conversion of the ITC from a non-refundable tax credit into a refundable tax credit for eligible capital acquisitions occurring after April 6, 2006. Unclaimed tax credit balances earned prior to April 7, 2006 will have their carry forward period extended from seven to ten years. ITCs can carry through trusts and partnerships, and through certain corporate wind-ups and amalgamations, but may not be carried back to predecessor corporations.

### Eligible Purchases

Eligible purchases of new equipment for the purposes of the ITC are defined as "qualified property" in subsections 127(9) and 127(11) of the federal *Income Tax Act*. This includes property to be used in Canada primarily for the purpose of manufacturing or processing goods for sale or lease. Eligible used equipment is similarly defined as qualified property in subsection 7.31(1) of *The Income Tax Act* of Saskatchewan.

Qualified property for the purposes of the ITC does not include property used for storing, shipping, selling or leasing of finished goods, purchasing raw materials, administration, purchase and resale operations, data processing and providing employee facilities.

To qualify for the ITC, eligible purchases must be either:

- a new building or new machinery and equipment, as prescribed in subsections 4600(1) and 4600(2) of the federal *Income Tax Regulations*, that has not been used or acquired for use or lease for any other purpose whatever before it was acquired by a taxpayer; or,
- used equipment which otherwise meets the federal definition of qualified property, and which meets the definition of qualified property in subsection 7.31(1) of *The Income Tax Act* of Saskatchewan, which includes PST having been paid on the asset.

Eligible purchases must also be for use in Saskatchewan primarily for the purpose of manufacturing and processing of goods for sale or lease, or leased to a lessee who can reasonably be expected to use the property in Saskatchewan primarily for manufacturing and processing of goods for sale or lease.

### **Eligible Activities**

The ITC can be earned through the purchase of qualifying assets to be used in a manufacturing and processing activity. The ITC uses the federal definition of manufacturing and processing. According to federal Interpretation Bulletin IT-145R, "manufacturing" is generally defined as the creation of something or the shaping, stamping or forming of an object out of something, while "processing" is generally defined as the preparation, handling or other activity designed to effect a physical or chemical change in an article or substance other than by natural growth.

A number of activities are excluded from the definition of "manufacturing and processing" under subsection 125.1(3) of the federal Act. These excluded activities are farming, fishing, logging, construction, oil and gas extraction and processing, mineral extraction and processing, and activities of corporations whose primary activity is not manufacturing and processing.

### **Administration**

The ITC for qualifying new equipment is administered by the Canada Revenue Agency on behalf of Saskatchewan. It may be claimed by including a completed Schedule 402 (formerly form T-1128), available from any Canada Revenue Agency office, with the annual T2 Corporation Income Tax Return. As required under the terms of the *Canada-Saskatchewan Tax Collection Agreement*, definitions contained in the federal *Income Tax Act* have been used for the purposes of the ITC on new equipment.

The ITC for qualifying used equipment is administered by Saskatchewan Finance. It must be claimed by applying directly to Saskatchewan Finance at the address below.

**For further information and forms for the ITC for new equipment**

Saskatchewan Finance  
Taxation and Intergovernmental Affairs Branch  
2350 Albert Street  
REGINA SK S4P 4A6

Toll Free: 1-800-667-6102  
( extension 6722)

Regina Area: 787-6722

**For further information and forms for the ITC for used equipment**

Saskatchewan Finance  
Revenue Division  
2350 Albert Street  
REGINA SK S4P 4A6

Toll Free: 1-800-667-6102  
( extension 7773)

Regina Area: 787-7773

Information bulletins and publications are available on the Internet at:  
[www.gov.sk.ca/finance](http://www.gov.sk.ca/finance)