

TAXATION CHANGES – 2008 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Greg Selinger in his Budget Address on April 9, 2008.

SECTION I - BUSINESS TAXES

CORPORATION CAPITAL TAX

Exemption for manufacturing and processing corporations Effective July 1, 2008, the corporation capital tax (CCT) is eliminated for eligible manufacturing and processing corporations*. Corporations with fiscal year-ends that straddle the effective date will pay tax on a prorated basis for that portion of the year prior to July 1, 2008.

A final corporation capital tax return will be required to be filed within 6 months after the fiscal year end. Instalments can be reduced to reflect the exemption.

* Eligible manufacturing and processing corporations are those that use more than 50% of their labour and capital in the province in manufacturing and processing activities as defined by the *Income Tax Act (Canada)*.

See Bulletin CCT 002 – *Manufacturing and Processing Corporations*, for further information.

General CCT eliminated

For corporations subject to the general corporation capital tax rate (excluding crown corporations), the tax is eliminated after December 31, 2010. Rates will be reduced as follows:

Total Paid Up Capital (PUC)*	Fiscal Years Commencing After January 1			After December 31, 2010
	2008	2009	2010	
Up to \$10 Million	0%	0%	0%	Eliminated
\$10 - \$20 Million	0.2%	0.1%	0%	
> \$21 Million	0.4%	0.3%	0.2%	

* For corporations with total PUC between \$20 million and \$21 million, tax will apply at the following notch rates for fiscal years commencing after January 1:

- 2008 - 2.4% of the total PUC greater than \$20 million plus \$20,000
- 2009 - 2.3% of the total PUC greater than \$20 million plus \$10,000
- 2010 - 2.2% of the total PUC greater than \$20 million.

Please note: Corporations with fiscal year-ends that straddle December 31, 2010 will only pay tax for that portion of the year prior to that date.

The tax rate for banks, trust and loan corporations remains at 3%.

RETAIL SALES TAX

Exemption for direct agents expanded Effective May 1, 2008, manufacturers, mining companies and taxable service providers will be able to purchase services to direct agents exempt of sales tax, including repair and sharpening services.

Direct agents are consumable goods that are used up while in direct contact with and transforming goods being manufactured for sale or goods being serviced (i.e. drill bits, saw blades, grinding wheels).

Services to dies, jigs, moulds and patterns used in manufacturing a product for sale are also exempt.

Exemption for welding tips and laser and plasma nozzles Effective May 1, 2008, manufacturers, mining companies and taxable service providers will be able to purchase welding tips and laser and plasma nozzles exempt of sales tax when they are used to produce goods or services for sale.

Exemption for non-returnable packaging expanded Effective May 1, 2008, non-returnable protective materials used to stabilize goods during shipment (often referred to as dunnage) will be exempt from sales tax. This includes spacers, air bags and bracing devices that are not directly attached to the goods being shipped.

Exemption for rolls used in pulp and paper industry Effective May 1, 2008, rolls used in the pulp and paper industry will be exempt from sales tax.

Exemption for smoking cessation products expanded Effective May 1, 2008, the sales tax exemption for prescription smoking cessation products will be expanded to include non-prescription products.

Nicotine replacement therapy products such as nicotine gum, lozenges and patches that are sold for the sole purpose of assisting the purchaser to stop smoking and have been assigned a Drug Identification Number or a Natural Product Number by the federal government will be exempt.

Vendors of these products will update their point of sale systems to allow this exemption.

TOBACCO TAX

Permit requirement for manufacturing equipment Effective May 1, 2008, tobacco manufacturers are required to have a permit for all equipment used in Manitoba to manufacture tobacco products.

Further information on corporation capital tax, retail sales tax, and tobacco tax may be obtained from Manitoba Finance – Taxation Division:

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

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763

E-mail: MBTax@gov.mb.ca

ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.

CORPORATION INCOME TAX

General Corporation Income Tax Rate reduced

The General Corporation income tax rate falls from 14.0% to 13.0% effective July 1, 2008. A further reduction to 12.0% will take effect on July 1, 2009.

Small Business Tax Rate reduced

The small business income tax rate is reduced from 2.0% to 1.0% effective January 1, 2009.

Capital Cost Allowance Rates enhanced

Manitoba is paralleling the federal changes regarding accelerated capital cost allowance (CCA) for manufacturing and processing machinery and equipment by extending the 50% straight line accelerated CCA by one year. In addition, eligible property acquired by a manufacturer in 2010 will be eligible for a 50% declining balance CCA rate in the first year the property is acquired, a 40% declining balance rate in the next year and the regular 30% declining balance rate in subsequent years. Eligible property acquired by a manufacturer in 2011 will be eligible for a 40% declining balance CCA rate in the first year the property was acquired and the regular 30% declining balance rate in subsequent years. The 30% declining balance CCA rate will be restored to eligible property acquired after 2011.

Co-op Education and Apprenticeship Tax Credits enhanced

The Co-operative Education Tax Credit is expanded and renamed the Co-op Education and Apprenticeship Tax Credits. A new component is added, called the Journeypersons Hiring Incentive (J-HI) that provides a tax credit to employers of recent graduates of apprenticeship programs.

The terms of J-HI are similar to those of the Co-op Graduates Hiring Incentive. An eligible employer may earn a refundable tax credit for each of the first two twelve-month periods of permanent, full-time employment of a journeyperson for work

performed in their certified trade primarily in Manitoba.

The credit equals 5% of wages and salaries paid to the journeyperson (net of other government assistance) up to \$2,500 per twelve months of employment for each journeyperson. Employment periods must be continuous and consecutive, but each twelve-month period may be interrupted by a seasonal layoff of not more than three months. There is no limit on the number of journeypersons an employer may hire to earn the credit.

Eligible employers may be taxable corporations, not-for-profit agencies, Crown corporations, municipalities, universities, schools, hospitals, or unincorporated entities. In a year in which the tax credit is earned, the employer must be a participant in an apprenticeship program in Manitoba by a) having at least one apprentice registered to the employer who has completed the first year of apprenticeship with the employer, or b) having had an apprentice who completed at least two full years of apprenticeship within the previous five years.

The journeyperson must have received his or her Certificate of Qualification in Manitoba or elsewhere in Canada after April 9, 2008, and must be hired by the employer within 18 months of certification.

**Film and Video
Production Tax
Credit enhanced**

For productions commencing principal photography after 2007, the Manitoba Film and Video Production Tax Credit will be enhanced with the introduction of a new 5% Manitoba Producer Bonus, based on eligible salaries where a Manitoba resident receives credit as a Producer on an eligible film. In addition, the Frequent Filming Bonus for returning producers is increased from 5% to 10% of eligible salaries.

Additional enhancements include: the percentage of eligible salaries paid to non-residents for work performed in Manitoba that is eligible for the credit is increased from 20% to 30% of eligible salaries paid to Manitobans; and the current requirement that non-residents train Manitobans working on an eligible film will be redesigned to emphasize transfer of skills to Manitoba technical crew members, regardless of the residency of the person who provided the training.

The maximum film tax credit when including the Manitoba Producer Bonus, Rural and Northern Incentive, and Frequent Filming Bonus is now 65%.

**Manufacturing
Investment Tax
Credit enhanced**

As previously announced, the refundable portion of the Manufacturing Investment Tax Credit is increased from 50% to 70% for qualified property acquired on or after January 1, 2008. The credit is also extended to December 31, 2011.

**Interactive
Digital Media
Tax Credit
introduced**

The Interactive Digital Media Tax Credit is introduced to support qualifying corporations that develop and produce eligible interactive digital media projects in Manitoba. The refundable tax credit is equal to 40% of the remuneration paid to Manitobans on eligible projects approved by the Department of Science, Technology, Energy and Mines. The maximum tax credit on an eligible project is \$500,000. Projects that begin prototyping and product development after April 9, 2008 and before 2011 will qualify for the credit.

The Interactive Digital Media Tax Credit replaces the Manitoba New Media Production Grant. However, project eligibility under the tax credit builds upon the criteria under the Grant.

Book Publishing Tax Credit introduced The Book Publishing Tax Credit is introduced to assist the development of the Manitoba book publishing industry. The refundable tax credit, a maximum of \$100,000 annually per eligible publisher, is equal to 40% of the Manitoba labour costs. Eligible labour costs must be incurred and paid in Manitoba by the publisher after April 9, 2008 and before 2012. A book eligible for a tax credit must be a qualifying book for which contracts were entered into after April 9, 2008 and which is published before 2012. There is a 10% bonus for books printed on paper with a minimum of 30% recycled content.

Community Enterprise Investment Tax Credit enhanced The Community Enterprise Investment Tax Credit, introduced in Budget 2007, is enhanced by increasing the maximum annual investment limit by an investor that qualifies for a tax credit to \$450,000. This is retroactive to January 1, 2008, the commencement of this program. As a result, the maximum amount of tax credit that may be earned by an investor in a given year is increased to \$135,000. However, the maximum tax credit amount that may be applied against Manitoba income tax payable in a given year remains at \$45,000.

Further information on corporation income tax rates and credits may be obtained from Manitoba Finance – Federal-Provincial Relations and Research Division:

910 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 945-3757
Fax (204) 945-5051
E-mail fedprov@gov.mb.ca
Website <http://www.gov.mb.ca/finance/fedprov>

Further information on the Co-op Education and Apprenticeship Tax Credits may be obtained from Manitoba Finance – Tax Assistance Office:

809 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 948-2115 in Winnipeg
Manitoba Toll Free 1-800-782-0771
Fax (204) 948-2263
E-mail TAO@gov.mb.ca

Further information on the Manitoba Film and Video Production Tax Credit may be obtained from Manitoba Film and Sound Development Corporation:

410 – 93 Lombard Avenue
Winnipeg, Manitoba R3B 3B1
Telephone (204) 947-2040
Fax (204) 956-5261
E-mail explore@mbfilmsound.mb.ca
Website <http://www.mbfilmsound.mb.ca>

Further information on the Interactive Digital Media Tax Credit may be obtained from Manitoba Science, Technology, Energy and Mines – Knowledge Enterprises Branch:

1030 – 259 Portage Avenue
Winnipeg, Manitoba R3B 3P4
Telephone (204) 945-0589
Fax (204) 945-3977
E-mail newmediainquiries@gov.mb.ca

Further information on the Book Publishing Tax Credit may be obtained from Manitoba Culture, Heritage, Tourism and Sport – Arts Branch:

6th Floor, 213 Notre Dame Avenue
 Winnipeg, Manitoba R3B 1N3
 Telephone (204) 945-3847
 Fax (204) 948-1684
 E-mail artsbranch@gov.mb.ca

Further information on the Community Enterprise Investment Tax Credit may be obtained from Manitoba Competitiveness, Training and Trade – Financial Services:

Telephone (204) 945-0141
 Fax (204) 945-1193

SECTION II – PERSONAL TAXES

PERSONAL INCOME TAX

Education Property Tax Credit Base Amount increased	The basic amount of the Education Property Tax Credit is increased from \$525 to \$600. Homeowners will have this amount subtracted from their 2008 property tax bills. Renters will receive the increased amount when they file their 2008 income tax return.
Bracket and Rate changes	Effective January 1, 2009, the first bracket rate is reduced from 10.9% to 10.8%, the starting income level at which the 12.75% rate applies is increased from \$30,544 to \$31,000, and the income level at which the 17.4% tax rate applies is increased from \$66,000 to \$67,000.
Basic Personal, Spousal, and Eligible Dependent Amounts increased	The Basic Personal, Spousal and Eligible Dependent Amounts are each increased by \$100 to \$8,134 effective January 1, 2009.
Tax-Free Savings Accounts paralleled	Provincial tax will not be applied to accumulations and withdrawals from the new Tax-Free Savings Account plans, which were introduced in the 2008 Federal Budget for implementation in the 2009 taxation year. In addition, withdrawals from a Tax-Free Savings Account will not be counted as income to reduce other income-tested provincial benefits.
Primary Caregiver Tax Credit introduced	The Primary Caregiver Tax Credit is introduced, commencing in the 2009 tax year, to provide recognition and financial support to individuals who serve as voluntary primary caregivers for more than three continuous months. After the three-month qualifying period, this refundable tax credit will be \$85 per month, to a maximum of \$1,020 per year for care provided to a Home Care client assessed at Care Level 2, 3, or 4, to a maximum of three clients during any one month. This is claimable on the caregiver's personal income tax return.

Personal Tax Credit increased	Commencing with the 2009 taxation year, the components of the Personal Tax Credit are each increased by 2.6% or more.
Community Enterprise Development Tax Credit extended	The Community Enterprise Development Tax Credit, introduced in Budget 2003, is extended for another three years until the end of 2011.
Northern Residents Deduction increased	Manitoba parallels the federal increase to the Northern Residents Deduction for the 2008 and subsequent taxation years. The residency deduction is increased from \$7.50 to \$8.25 per person per day, and from \$15 to \$16.50 per day for a sole claimant in a household.
Manitoba Mineral Exploration Tax Credit extended	The Manitoba Mineral Exploration Tax Credit is extended for one year, to flow-through share agreements entered into before April 1, 2009.
Dividend Tax Credit rate adjusted	To parallel the reduction in the small business tax rate, the dividend tax credit on taxable Canadian dividends that are not eligible dividends is reduced from 3.15% to 2.5% in 2009.

RETAIL SALES TAX

Exemption for smoking cessation products expanded	Effective May 1, 2008, the sales tax exemption for prescription smoking cessation products will be expanded to include non-prescription products. Nicotine replacement therapy products such as nicotine gum, lozenges and patches that are sold for the sole purpose of assisting the purchaser to stop smoking will be exempt.
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Further information on personal income tax rates, education property tax credits, or other non-refundable tax credit amounts may be obtained from Manitoba Finance – Tax Assistance Office:

809 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 948-2115 in Winnipeg
Manitoba Toll Free 1-800-782-0771
Fax (204) 948-2263
E-mail TAO@gov.mb.ca

Further information on the Primary Caregiver Tax Credit may be obtained from Manitoba Health and Healthy Living:

c/o At Your Service Manitoba
Manitoba Toll Free 1-866-626-4862

Further information on Manitoba Mineral Exploration Tax Credit may be obtained from Manitoba Science, Technology, Energy and Mines – Minerals Policy and Business Development Unit:

360-1395 Ellice Avenue
Winnipeg, Manitoba R3G 3P2
Telephone (204) 945-6564
Fax (204) 945-8427
E-mail minesinfo@gov.mb.ca

Further information on the dividend tax credit may be obtained from Manitoba Finance – Federal-Provincial Relations and Research Division:

910 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 945-3757
Fax (204) 945-5051
E-mail fedprov@gov.mb.ca
Website <http://www.gov.mb.ca/finance/fedprov>

Further information on retail sales tax may be obtained from Manitoba Finance – Taxation Division:

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

Westman Regional Office
Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763