



Information Bulletin

June, 1997

Updated: April, 2006

Was this bulletin useful?

[Click here to complete our short](#)

READER SURVEY

SASKATCHEWAN MANUFACTURING AND PROCESSING PROFITS TAX REDUCTION

This bulletin describes the Corporation Income Tax reduction for manufacturing and processing profits that was announced in the Saskatchewan Budget on February 16, 1995.

The tax reduction will apply to firms in the manufacturing and processing industry. The Saskatchewan Corporation Income Tax rate will be reduced to as low as 10 per cent on Canadian manufacturing and processing profits, as reported on the federal T2 Corporation Income Tax return. Saskatchewan-based firms with a high allocation of income to Saskatchewan will receive a larger tax reduction than firms with a low allocation of income (see example on reverse side).

The reduction uses a base amount (equal to the difference between the Saskatchewan's general corporate income tax rate and 10 per cent) which will be multiplied by the corporation's allocation of income to Saskatchewan to arrive at the net Saskatchewan tax rate reduction. The net Saskatchewan tax rate reduction is then applied to the corporation's Saskatchewan share of Canadian manufacturing and processing profits to determine the amount of the tax reduction.

The rebate payable will be the lesser of the amount calculated on line G of the application form or the net Saskatchewan Income Tax Payable as calculated on the T2 Corporation Income Tax return.

The tax reduction will be administered as a Corporation Income Tax rebate by the Revenue Division of the Saskatchewan Department of Finance. Corporations will be required to apply directly to Saskatchewan Finance for a rebate of tax paid, upon filing of their T2 Corporation Income Tax return.

Effective for fiscal years ending in 2000 or later, the rebate will be administered by the Canada Revenue Agency. Corporations must complete Schedule 404 in the T2 Corporation Income Tax return. Credits will be applied directly against any Saskatchewan Income Tax payable calculated on the T2 return.

FOR FURTHER INFORMATION

Write: Saskatchewan Finance
Revenue Division
2350 Albert Street
Regina, Saskatchewan
S4P 4A6

Telephone: Toll Free 1-800-667-6102
Regina 306-787-7773

Fax: 306-787-0241

EXAMPLE: Calculation of Saskatchewan Manufacturing and Processing Profits Tax Reduction

Assumptions

- Fiscal Year - January 1, 2005 to December 31, 2005
- Saskatchewan Allocation per T2S-TC is 90.0%
- Canadian Manufacturing and Processing Profits from form T2S(27) is \$5,000,000
- Saskatchewan's general Corporation Income Tax rate is 17 per cent
- The annual business limit is \$300, 000
- Adjusted Taxable Income on Line 235 from page 5 of the T2 return is \$5,100,000

Canadian manufacturing and processing profits for the year from line 233 on page 5 of the T2 return		<u>\$5,000,000</u> (A)
Deduct:		
The least of amounts on lines 223, 225 and 227 (or line F, if it applies) of the small business deduction calculation on page 3 of the T2 return		<u>300,000</u> (B)
	<u>\$4,700,000</u>	<u>\$4,700,000</u> (C)
Amount from line 235 on page 5 of the T2 return.....		<u>5,100,000</u> (D)
Least of C and D <u>\$4,700,000</u> x Saskatchewan Allocation Percentage <u>90.0%</u>		<u>4,230,000</u> (E)
Saskatchewan Allocation Percentage <u>90%</u> x (17% - 10%)		<u>6.3%</u> (F)
Rebate Payable (E) x (F)		<u>\$ 266,490</u> (G) Rebate Payable