



**Budget Paper C**

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**TAXATION  
ADJUSTMENTS**

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# **TAXATION ADJUSTMENTS**

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## Summary of 1997 Tax Changes

	1997/98	Full Year
	(Millions of Dollars)	
Sales Tax		
New home rebate for first-time buyers	(0.9)	(0.9)
Corporation Capital Tax		
Increase Exemption from \$2 million to \$3 million of taxable paid-up capital	(0.6)	(1.5)
Motive Fuel Tax (Diesel)		
Exemption for off-highway mineral ore transportation	(0.6)	(1.2)
Payroll Tax		
Increase exemption to \$1 million	(0.6)	(3.8)
Gasoline Tax		
Reduce Aircraft Gasoline Tax	(1.1)	(2.1)
Corporation Income Tax		
Film & Video Production Tax Credit	(1.5)	(1.5)
Manufacturing Investment Tax Credit	(11.7)	(14.8)
Personal Income Tax		
Learning Tax Credit	(2.7)	(4.1)
Allow additional Labour Sponsored Venture Capital Corporation Funds	(0.0)	(1.5)
Net Change	<u>(19.7)</u>	<u>(31.4)</u>

## ■ SALES TAX

(1997/98 Revenue Impact: -\$0.9 million)

### **New home rebate for first-time buyers extended**

The sales tax rebate for **first-time buyers of a new home** in Manitoba, introduced in 1994, is extended for a further period of twelve months. First-time buyers of a new (never occupied) home purchased before April 1, 1998, will be eligible for a rebate of the provincial sales tax paid on the materials used in the construction of their home. The maximum rebate is \$2,500.

The rebate will be payable after the owner has occupied the home. Rebates will be prorated for homes purchased in the period of eligibility which are occupied after March 31, 1998 and before August 1, 1998. Eligibility for this program will be determined by application to the Taxation Division of the Department of Finance.

The program is expected to rebate \$900,000 in the 1997/98 fiscal year.

## ■ CORPORATION CAPITAL TAX

(1997/98 Revenue Impact: -\$0.6 million)

### **Exemption increased to \$3 Million**

The Corporation Capital Tax exemption will be increased from \$2 million of taxable capital to \$3 million effective for taxation years ending after January 1, 1998. The increase in this exemption will eliminate the tax for about 700 corporations, leaving fewer than 4,000 corporations on the Corporation Capital Tax roll.

This measure will cost about \$1.5 million on a full-year basis.

## ■ MOTIVE FUEL TAX

(1997/98 Revenue Impact: -\$0.6 million)

### **Off-highway mineral ore transportation**

An exemption from motive fuel tax will be allowed on diesel fuel used exclusively in off-highway mining activities for the transportation of ore from a Manitoba mine to a Manitoba processing centre, and for mining ore recovery equipment. This measure takes effect October 1, 1997.

It will cost about \$600,000 in 1997/98, and \$1.2 million on a full-year basis.

## ■ PAYROLL TAX

(1997/98 Revenue Impact: -\$0.6 million)

### Increased exemption and notch reduction

The exemption for employers from tax under the Levy for Health and Post-secondary Education is increased from \$750,000 to \$1 million of annual payroll effective January 1, 1998. Employers with annual payrolls between \$1 million and \$2 million will pay tax on an adjusted basis.

The effects of the new exemption level on payroll taxes paid by employers are illustrated below.

### Effect of Expanded Payroll Tax Exemption

Payroll	Tax Payable		
	Previous Provisions	New Provisions	Saving
\$ 1,000,000	\$ 11,250	\$ 0	\$ 11,250
1,250,000	22,500	11,250	11,250
1,500,000	33,750	22,500	11,250
1,750,000	39,375	33,750	5,625
2,000,000	45,000	45,000	0

Of the 2,400 employers currently paying the payroll tax, about 600 will be fully exempted by this measure; an additional 200 will pay less tax. The remaining 1,600 employers will continue to pay tax at the full rate of 2.25%.

## ■ GASOLINE TAX

(1997/98 Revenue Impact: -\$1.1 million)

### **Rate reduction for aircraft gasoline**

The tax rate on aircraft gasoline will be reduced by 1¢ per litre from 4.2¢ to 3.2¢, effective October 1, 1997. This measure will support Winnipeg's expanding role as an air transportation hub, and help maintain Manitoba's tax rate at a competitive level with those of neighbouring provinces.

The cost of this reduction is estimated at \$2.1 million per full year.

Inquiries regarding Sales Tax, Corporation Capital Tax, Motive Fuel Tax, Gasoline Tax and Payroll Tax should be directed to:

Taxation Division  
Department of Finance  
415 - 401 York Avenue  
Winnipeg, Manitoba  
R3C 0P8

Telephone: (204) 945-5603 in Winnipeg  
(204) 726-6153 in Brandon  
Toll Free: (Winnipeg) 1-800-782-0318  
(Westman Region) 1-800-275-9290

## ■ CORPORATION INCOME TAX

(1997/98 Revenue Impact: -\$13.2 million)

### **Film & Video Tax Credit: -\$1.5 million**

Effective from January 1, 1997 and for the next three years, a new refundable tax credit for film and video productions is available. The credit is equal to 35% of eligible salaries paid in Manitoba for an eligible film or video produced in the province by a corporation. Eligible salaries include those paid after 1996 and within the first 60 days of the year 2000. Films or videos must be made for television, cinema or video tape distribution, by a corporation registered with the Manitoba Film & Sound Development Corporation (MFSDC). Applications by eligible productions will be processed by MFSDC, and the tax credit will be administered by Revenue Canada.

For information, contact:

Department of Culture, Heritage & Citizenship  
3rd Floor, 213 Notre Dame Avenue  
Winnipeg, Manitoba  
R3B 1N3

Telephone: (204) 945-2233

Facsimile: (204) 945-5760

### **Extension of Manufacturing Investment Tax Credit: -\$11.7 million**

Manitoba's manufacturing sector led the nation in growth in 1995 and 1996. Capital investment has surged, thanks in part to the temporary Manufacturing Investment Tax Credit. In 1992, capital investment in Manitoba's manufacturing sector was \$194 million; in 1997, it is forecast to be \$540 million. The Government will support this ongoing expansion and renewal of Manitoba's manufacturing sector, by extending the credit for a further period of 36 months, to June 30, 2000.

The credit is deductible against Manitoba Corporation Income Tax. Unused investment credits are available for carry-forward for up to seven years, and carry-back to (a maximum of three) taxation years ending after March 11, 1992.

The credit is administered on behalf of the Province by Revenue Canada Taxation.

The full-year cost of this measure is expected to be \$14.8 million.

## ■ PERSONAL INCOME TAX

(1997/98 Revenue Impact: -\$2.7 million)

### Manitoba Learning Tax Credit

The Manitoba Learning Tax Credit, introduced in 1996, provides refundable assistance equal to 10% of the eligible tuition fees paid to colleges, universities and technical training centres, and 10% of the monthly education amount. Eligible tuition fees are those claimed in the year for the federal non-refundable tax credit, and may include tuition paid to institutions in other jurisdictions.

The broadening of the definition of eligible tuition fees to include compulsory ancillary fees (other than student association fees), and the doubling of the education amount from \$100 to \$200 per month over two years – announced in the February federal Budget – will reduce Manitoba provincial income tax by \$2.1 million for 1997, and by \$3.3 million per year thereafter. As an additional measure of relief, Manitoba will modify the Learning Tax Credit to parallel the new definitions (and rules) and increased education amount. These measures will **enrich the refundable Manitoba Learning Tax Credit by \$2.7 million for 1997, and by \$4.1 million for 1998.**

In combination, these changes will deliver \$4.8 million in additional tax relief or refunds to post-secondary students for 1997, and \$7.8 million more in relief for each following year.

The Manitoba Learning Tax Credit is estimated to cost \$17.3 million for 1997/98.

Inquiries regarding these measures should be directed to:

Manitoba Tax Assistance Office  
309 - 401 York Avenue  
Winnipeg, Manitoba  
R3C 0V8

Telephone: (204) 943-3401 in Winnipeg  
Toll Free: 1-800-782-0771



### **Labour-Sponsored Venture Capital Corporation Tax Credit**

Since the 1992 taxation year, Manitoba has offered a provincial Labour-Sponsored Venture Capital Corporation (LSVCC) Tax Credit exclusively to individuals purchasing shares in The Crocus Investment Fund. The Crocus Fund has been successful at raising venture capital. The Government believes that this success can be repeated, and will introduce new legislation modeled on existing federal and provincial LSVCC provisions, which will allow for the creation of additional provincially registered funds.

The Income Tax Act will also be amended to parallel recent changes to the federal provisions related to LSVCC's. Comparable changes will also be made to The Manitoba Employee Ownership Fund Corporation Act.

Inquiries regarding this measure should be directed to:

Department of Industry, Trade & Tourism  
555 - 155 Carlton Street  
Winnipeg, Manitoba  
R3C 3H8

Telephone: (204) 945-5839  
Facsimile: (204) 945-1193

## **■ TECHNICAL AMENDMENTS**

Technical adjustments to various taxation statutes will be made as part of the Statute Law Amendment (Taxation) Act, 1997.

These amendments include:

- reducing the tax administration burden for businesses by raising thresholds pertaining to reduced filing frequencies for Retail Sales Tax and Corporation Capital Tax;
- enhancing collection and enforcement measures pertaining to chronic delinquent retail sales tax accounts; and
- introducing charges to cover the increasing costs of providing services relating to the issuance of clearance certificates (charge of \$50), and administration and truck decals (\$4 per truck) under the International Fuel Tax Agreement.

## Interprovincial Comparison of Major Tax Rates, 1987 and 1997

	BC		Alta*		Sask		Man*		Ont	
	1987	1997	1987	1997	1987	1997	1987	1997	1987	1997
<b>Personal Income Tax</b> <sup>(A,B)</sup>	51.50	51.00	46.50	45.50	50.00	50.00	<b>54.00</b>	<b>52.00</b>	50.00	49.00
<b>Flat Income Tax</b> <sup>(C)</sup>	—	—	1.00	0.50	1.50	2.00	<b>2.00</b>	<b>2.00</b>	—	—
<b>Surtax</b>	No	Yes	Yes	Yes	Yes	Yes	<b>Yes</b>	<b>Yes</b>	Yes	Yes
<b>Top Marginal Rate</b> <sup>(D)</sup>	52.53	54.17	53.09	46.07	55.74	51.95	<b>58.05</b>	<b>50.40</b>	52.53	51.78
<b>Corporation Income Tax</b>										
<b>Small</b> <sup>(E)</sup>	11.00	9.00	5.00	6.00	10.00	8.00	<b>10.00</b>	<b>9.00</b>	10.00	9.50
<b>Large</b>	15.00	16.50	15.00	15.50	17.00	17.00	<b>17.00</b>	<b>17.00</b>	15.50	15.50
<b>Capital Tax</b> <sup>(F)</sup>	0.00	0.30	—	—	0.50	0.60	<b>0.30</b>	<b>0.30</b>	0.30	0.30
<b>Banks</b>	0.00	1.00	0.00	2.00	3.00	3.25	<b>3.00</b>	<b>3.00</b>	0.80	1.12
<b>Employer Payroll Tax</b>	—	—	—	—	—	—	<b>2.25</b>	<b>2.25</b>	0.00	1.95
<b>Small Firms</b> <sup>(G)</sup>	—	—	—	—	—	—	<b>2.25</b>	<b>0.00</b>	0.00	0.00
<b>Health Care Premiums (\$)</b>	456	864	432	816	—	—	—	—	714	0.00
<b>Sales Tax</b> <sup>(H)</sup>	6.00	7.00	—	—	7.00	9.00	<b>7.00</b>	<b>7.00</b>	7.00	8.00
<b>Diesel Fuel (¢/l)</b> <sup>(I)</sup>	8.08	11.50	5.00	9.00	7.00	15.00	<b>9.90</b>	<b>10.90</b>	9.90	14.30
<b>Gasoline (¢/l)</b> <sup>(I)</sup>	7.64	11.00	5.00	9.00	7.00	15.00	<b>8.00</b>	<b>11.50</b>	8.30	14.70
<b>Tobacco Tax (¢/cigarette)</b>	3.88	11.00	4.00	7.00	4.68	8.00 <sup>(L)</sup>	<b>4.60</b>	<b>8.00<sup>(L)</sup></b>	2.83	2.05 <sup>(L)</sup>

 Tax went up

 Tax went down

— Not applicable

All figures are percentages unless otherwise indicated.

\* These provinces have presented 1997/98 budgets.

- (A) Québec has its own provincially administered personal income tax system. All other provinces' personal income taxes are collected and administered by the federal government. They are shown here as percentages of basic federal tax.
- (B) Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia provide tax reductions at low-income levels. Nova Scotia is lowering its rate from 59.5% to 57.5% effective July 1, 1997. This table reports the annual average of these two rates.
- (C) Manitoba and Saskatchewan assess the flat tax on "net income", and Alberta assesses the flat tax on "taxable income".
- (D) Top Marginal Rate is combined federal/provincial tax rate, including surtaxes, paid by taxpayers in the highest tax bracket.
- (E) Some provinces apply special rates to certain types of business income.
- (F) Manitoba imposes a 0.2% surtax on taxable paid-up capital in excess of \$10 million. Saskatchewan applies a 3.6% surcharge on specified resource sales of large corporations. Banks and trust companies in British Columbia with paid-up capital in excess of \$750 million pay at a rate of 3%.

Que		NB*		NS		PEI		Nfld		
1987	1997	1987	1997	1987	1997	1987	1997	1987	1997	
—	—	58.00	63.00	56.50	58.50	55.00	59.50	60.00	69.00	<b>Personal Income Tax</b> <sup>(A, B)</sup>
—	—	—	—	—	—	—	—	—	—	<b>Flat Income Tax</b> <sup>(C)</sup>
No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	<b>Surtax</b>
56.57	52.94	54.74	51.05	54.23	49.98	53.72	50.30	55.42	53.33	<b>Top Marginal Rate</b> <sup>(D)</sup>
										<b>Corporation Income Tax</b>
3.22	5.75	9.00	7.00	10.00	5.00	10.00	7.50	10.00	5.00	<b>Small</b> <sup>(E)</sup>
5.90	8.90	15.00	17.00	15.00	16.00	15.00	15.00	16.00	14.00	<b>Large</b>
0.48	0.64	0.00	0.30	0.00	0.25	—	—	—	—	<b>Capital Tax</b> <sup>(F)</sup>
0.97	1.28	2.00	3.00	1.50	3.00	0.00	3.00	2.00	4.00	<b>Banks</b>
3.22	4.26	—	—	—	—	—	—	0.00	2.00	<b>Employer Payroll Tax</b>
3.22	4.26	—	—	—	—	—	—	0.00	0.00	<b>Small Firms</b> <sup>(G)</sup>
—	—	—	—	—	—	—	—	—	—	<b>Health Care Premiums (\$)</b>
9.00	6.50	11.00	8.00	10.00	8.00	10.00	10.00	12.00	8.00	<b>Sales Tax</b> <sup>(H)</sup>
12.45	16.67 <sup>(K)</sup>	8.00	13.70	9.10	15.40	10.40	12.50	12.10	16.50	<b>Diesel Fuel (¢/l)</b> <sup>(I)</sup>
14.40	18.45 <sup>(K)</sup>	8.40	10.70	8.70	13.50	8.90	12.00	9.80	16.50	<b>Gasoline (¢/l)</b> <sup>(I)</sup>
4.52	2.53 <sup>(L)</sup>	4.12	3.65 <sup>(L)</sup>	4.50	5.29	3.50	6.03	4.78	10.28 <sup>(K)</sup>	<b>Tobacco Tax (¢/cigarette)</b>

(G) Firms with payroll of \$100,000 or less in Newfoundland, \$200,000 or less in Ontario, \$750,000 or less in Manitoba (\$1,000,000 effective January 1, 1998). Newfoundland's payroll tax is 1% in fishing, forestry and agriculture industries.

(H) Retail Sales Tax refers to general rate only. Québec and P.E.I. apply the sales tax on top of GST-inclusive prices. New Brunswick, Nova Scotia and Newfoundland will each harmonize their sales tax with the GST at a provincial rate of 8%, effective April 1, 1997.

(I) Petroleum taxes are for regular gasoline and highway diesel fuel. Gasoline and diesel sold in the Vancouver transit area are also subject to a transit levy of 4¢/litre, and 1.5¢/litre in Montréal.

(K) Gasoline and diesel fuel taxes in Québec include estimated QST of 3.25¢/l for gasoline and 3.33¢/l for diesel fuel.

(L) These provinces also apply sales taxes to tobacco products.