

**MANITOBA FINANCE
ADMINISTRATIVE NOTICE ON CORPORATE TAXATION**

Regarding: Small business deduction for credit union of The Income Tax Act (Manitoba), subsection 7(4).

Manitoba is providing notice that the 2018 budget implementation bill will include amendments to *The Income Tax Act (Manitoba)* (the Act) in relation to the calculation of the preferred-rate amount used to determine the small business deduction for Manitoba credit unions and caisse populaires.

The proposed amendments to section 7(4) of the Act will reflect the Canada Revenue Agency's (CRA) administration of the deduction, specifically the manner in which credit unions have claimed the deduction for tax years between 2003 and 2016. The amendment will be retroactive to September 30, 2003.

A credit union's Manitoba preferred-rate amount calculated in 2016 will reflect the CRA's administration of this calculation. Section 7(4) will also be updated such that, starting in 2017, the amount added to a credit union's or caisse populaire's "preferred-rate amount" for Manitoba income tax purposes will reflect the amount of income which qualified for the Manitoba small business deduction in the year. There will be pro-rating of the addition to the preferred-rate amount for taxation years beginning in 2016 and ending in 2017. Schedule 17 and Schedule 383 will be updated by the CRA accordingly for the 2017 tax year. The Credit Union Central of Manitoba will be notified once the updated forms are available to assist taxpayers.

This notice is being provided now to give comfort and guidance to taxpayers in light of the upcoming corporate year-end filing requirements for credit unions and caisse populaires.

Manitoba Finance
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