



Canadian tax alert

2012 Manitoba budget highlights

April 17, 2012

Budget highlights

Expenditures

Tax measures impacting individuals

Tax measures impacting corporations

Fuel tax

Contacts

Budget highlights

Finance Minister Stan Struthers presented the Manitoba government's **2012-13 budget** this afternoon. This is the first budget since the government's majority election victory in the fall of 2011.

Manitoba's real gross domestic product is projected to grow 2.3% in 2012, up from an estimated 2.2% growth in 2011. The economy is expected to grow by 2.4% in 2013. The current year deficit is projected to be approximately \$1.1B, with the forecasted 2012/2013 deficit to be approximately \$460 million.

Expenditures

Expenditures are budgeted to decrease by 3.9% from the 2011 expenditure forecast.

Tax measures impacting individuals

- The dividend tax credit on eligible dividends will be decreased from 11% to 8% commencing in 2012. This will increase the effective tax rate on eligible dividends in Manitoba to over 32.2%, from 28.1%. This increase results in total corporate and personal tax of 50.5% for active income taxed at the highest corporate tax rate.

Tax measures impacting corporations

- There will be a new refundable corporation income tax credit for new high technology data processing property purchased or leased by an eligible corporation after April 17, 2012. To be eligible, the corporation must have a permanent establishment in Manitoba, and the primary business activity of it and its affiliates must be data processing. The credit will be 4% of the capital cost of the new qualified property that is a building, and 7% of the cost of new qualifying machinery or equipment. The property must be available for use after April 17, 2012 and before 2016.
- Companies starting a film or video production after April 17, 2012 will be able to claim accommodation

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costs up to \$250 per night when calculating their cost-of-production tax credit. The remaining Film and Video Production Tax Credits remain unchanged.

- The previously announced measure that 2012 expenditures for Scientific Research and Experimental Development are subject to a higher refundable provincial credit (half of the 20%) compared to 2011 (one quarter of 20%) also remains unchanged.
- The Co-op Education and Apprenticeship Tax Credits have been increased. The Early-Level Apprentice Hiring Incentive has been increased to 15% of wages to a maximum of \$3,000. The Advanced-Level Apprentice Hiring Incentive has been increased from 5% to 10%, to a maximum of \$5,000, and the Journeypersons Hiring Incentive has been increased from 5% to 10% to a maximum of \$5,000.
- The Corporation Capital Tax on Financial Institutions is increased to 4% from 3%, for taxation years ending after April 17, 2012.

Sales tax

- Effective July 1, 2012, provincial sales tax will be applicable on spa treatments, nail services such as manicures, hair services such as haircuts, tattooing and piercing. Haircuts under \$50 will be exempt.
- The sales tax will also be applied to insurance premiums, effective July 1, 2012, for all insurance other than health, accident or sickness, Autopac or individual life insurance. Property insurance, group life, and various other types of insurance will be subject to sales tax.

Fuel tax

- The fuel tax has been increased by 2.5 cents per litre on gasoline and diesel fuel, effective May 1, 2012.

Back to top

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