



Canadian tax alert

2013 Manitoba budget highlights

April 16, 2013

Budget highlights

Manitoba Finance Minister Stan Struthers presented the 2013 Manitoba budget this afternoon. The following is a summary of the tax highlights contained in the budget.

- 1% increase in the provincial sales tax rate
- Increase in tobacco tax rate
- Changes to various corporate income tax incentives
- A new tax credit in respect of new rental housing construction

Fiscal/economic outlook

- The provincial deficit for 2013-2014 is projected to be \$518 million, down from the expected 2012-2013 deficit of \$583 million.
- The Province expects to have a surplus in 2016.

Measures concerning business

- The small business income limit eligible for the small business deduction will be increased from \$400,000 to \$425,000 as of January 1, 2014. The provincial small business tax rate is 0%, available to qualifying Canadian-controlled private corporations.
- The refundable portion of the 10% Manufacturing Investment Tax Credit will be increased from seven-tenths to eight-tenths for qualified property acquired after June 30, 2013.
- Capital expenditures, which are no longer eligible for federal scientific research and experimental development (SR&ED) investment tax credits after 2013, will remain eligible for Manitoba SR&ED tax credits.
- SR&ED contract payments that are only 80% eligible for federal investment tax credits will remain 100% eligible for Manitoba SR&ED tax credits, if they are paid to eligible institutes.

The future of Canada

- Deloitte is Canada's largest tax practice and a global tax firm with a unique perspective on competitive tax policy and the key drivers of national prosperity.
- With the right tax policy, we believe that Canada can be more productive and globally competitive. The key lies in creating a tax ecosystem capable of fostering innovation and investment while supporting the objective of a balanced budget.

• The future of productivity

• Deloitte's policy submissions

- The Data Processing Investment Tax Credit is expanded to include companies that are not engaged primarily in data processing in Manitoba, but make significant incremental investment in data processing equipment in Manitoba. Taxable Canadian corporations with permanent establishments in Manitoba acquiring at least \$10 million of incremental eligible data processing equipment in a taxation year will qualify for an 8% refundable tax credit. The refundable tax credit on acquisitions of “data processing buildings” is increased from 4% to 4.5% after April 16, 2013.
- A new tax credit for new rental housing construction is being introduced. The credit is equal to 8% of the capital cost of new rental housing construction in Manitoba, and will be available to eligible landlords who are residents of Manitoba, or landlords with a permanent establishment in Manitoba. The credit is available to not-for-profit entities as well, including rental housing co-operatives. There are numerous criteria to be met to qualify for the credit.
- The Corporation Capital Tax on Financial Institutions is increased from 4% to 5%, commencing for taxation years ending after April 16, 2013.
- The Manitoba Film and Video Production Tax Credit is extended to December 31, 2016.
- The Interactive Digital Media Tax Credit and Small Business Venture Capital Tax Credit are also extended to December 31, 2016.

Measures concerning individuals

- The Manitoba Dividend Tax Credit on non-eligible dividends will be reduced from 1.75% to 0.83%, beginning January 1, 2014.

Sales tax measures

- The general sales tax rate will be increased from 7% to 8%, effective July 1, 2013.
- Also as of July 1, 2013, sales tax exemptions will be applied to child safety restraint systems, various baby supplies including diapers and strollers, and bicycle helmets.

Other tax measures

- The tobacco tax rate is being increased by 4 cents per cigarette, to 29.0 cents, effective midnight, April 16, 2013. Retailers must declare their inventory on hand at midnight, April 16, 2013, and remit the additional tobacco taxes payable no later than May 21, 2013.

For further details, we refer you to the [Ministry of Finance website](#).

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