



Canadian tax alert

2019-2020 Saskatchewan budget highlights

March 20, 2019

The Minister of Finance, Donna Harpauer, tabled the 2019-2020 budget today in the Saskatchewan Legislative Assembly. The theme of the budget, and its title, is “The Right Balance”.

The following is a summary of the economic and tax highlights contained in the budget.

Fiscal/economic outlook – a balanced budget

The budget projects a nominal surplus of \$34.4 million for the 2019-2020 fiscal year. (It is noteworthy that three years ago, the deficit exceeded \$1 billion.) Spending is limited to a 2.6% increase from the prior year, compared to a 5.5% increase in revenue expectations, to assist the province to achieve a balanced budget.

Tax rates

There were no changes to the top marginal tax rates for individuals in the budget. The current rates are noted in the table below. Higher income Saskatchewan individuals are paying marginally lower rates than such residents of most other provinces.

Combined federal and Saskatchewan personal top marginal rates - 2019	
	Rate
Interest and regular income	47.50%
Capital gains	23.75%
Eligible dividends	29.64%
Ineligible dividends	40.37%

The budget contained no changes to the corporate tax rates. The current rates are summarized in the table below.

Combined federal and Saskatchewan corporate income tax rates - 2019	
	Rate
General	27.0%
M&P	25.0%
Small business (threshold \$500,000)	11.0%
Small business (income \$500,000 - \$600,000)	17.0%

Potash production tax

Certain modifications were introduced related to the taxation of potash produced from both Crown and freehold lands. The taxation of potash is broken into two primary components: a base payment and a profit tax. The base payment was originally intended to apply a set rate per tonne of potash sold, with reductions to that base payment for certain royalties paid and the Saskatchewan Resource Credit (equal to 0.75% of the value of potash sold). The budget announced that the Saskatchewan Resource Credit would be eliminated and Crown and freehold royalties paid related to potash projects will no longer be deductible in computing either the base payment or the profit tax. These changes are scheduled to take effect April 1, 2019, and are described as a method to both simplify the computation of the potash production tax as well as ensure a "fair and balanced return to the people of Saskatchewan".

Other measures

Volunteer emergency responders

Volunteer emergency responders will be eligible for a provincial tax credit (up to \$3,000), starting in 2020, subject to minimum thresholds of hours volunteered.

Carbon pricing

Saskatchewan does not have its own carbon pricing mechanism that fully meets the thresholds set by the federal government. Thus, Saskatchewan is a listed province for the purpose of the federal Greenhouse Gas Pollution Pricing Act (GGPPA) and will be subject to the federal GGPPA.

Effective April 1, 2019, the fuel charge under Part 1 of the GGPPA will apply to fuels at the time of delivery or import into Saskatchewan. The applicable rate is \$20 per tonne of carbon dioxide (CO₂) equivalent in 2019. The rates will increase by \$10 per tonne of CO₂ equivalent annually, to \$50 per tonne of CO₂ equivalent in 2022. The fuel charge will be administered by the Canada Revenue Agency (CRA).

In addition to the fuel charge under Part 1 of the GGPPA, large emitters with 50 kilotonne or more of emissions per year are generally required to register under the output-based pricing system (OBPS) under Part 2 of the GGPPA. However, in Saskatchewan, these requirements will generally apply to natural gas transmission lines and electricity generation plants, effective January 1, 2019. The reason for the limited application of OBPS in Saskatchewan is that the federal government has recognized that Saskatchewan would partially meet the benchmark requirements set by the federal government. Further, on March 19, 2019, the Department of Finance released regulatory proposals respecting the integration of the Saskatchewan output-based performance standards system with the federal GGPPA. If an entity is a regulated emitter under Saskatchewan's Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations, the entity may be able to register as a large emitter with the CRA to benefit from the fuel charge exemption available for large emitters.

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

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