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Canadian tax alert

2015-2016 Saskatchewan budget highlights

Saskatchewan Finance Minister Ken Krawetz presented the 2015-2016 Saskatchewan budget on March 18, 2015. The theme of the budget was “keeping Saskatchewan strong”. Despite falling oil prices, the Minister presented a $14 billion balanced budget with a small surplus. Key budget messages were no tax increases, new incentives for job creation, investment in infrastructure and controlled spending. There were also changes in the potash production tax regime.

No tax increases

There were no new taxes or increases to personal, corporate, business, fuel or education property tax rates. However, tax expenditures did decrease in a number of respects:

- **Research and development tax credits** will be fully non-refundable and the rate is being reduced from 15% to 10% of qualifying research and development expenditures, effective April 1, 2015.
- **The graduate retention program** provides up to $20,000 of tax relief to post-secondary graduates staying in Saskatchewan. Beginning in the 2015 taxation year, this will become a non-refundable tax credit and the period in which to use this credit is extended from seven to ten years.
- Effective for the 2015 taxation year, **the active families benefit** will now be subject to a $60,000 combined net income threshold such that only families with income below that

level are eligible.

- **The senior's drug plan** will have a lower income threshold of $65,515, reduced from $80,255 effective July 1, 2015. Seniors below the income threshold will benefit by only paying $20 per prescription for drugs listed on the Saskatchewan formulary and those approved under exception drug status.

- **The Saskatchewan employment supplement** provides support for low-income families with children under 18. The budget proposes to maintain the supplement in a revised form. Effective October 1, 2015, eligibility for new applicants will be limited to families with children aged 12 and under.

Incentives for job creation

The manufacturing and processing exporter tax incentive will provide non-refundable tax credits to eligible corporations that expand the number of manufacturing and processing related full time employees above the number employed in 2014. Eligible corporations export at least 25% of their goods to the rest of Canada or internationally and manufacture or process goods for sale as defined in the federal Income Tax Act. The non-refundable credit is $3,000 for each incremental full-time employee for each of the 2015 through 2019 taxation years.

The manufacturing and processing exporter tax incentive will also provide non-refundable tax credits to eligible exporting corporations based upon full time employees in typical head office functions for each of the 2015 through 2019 taxation years. The non-refundable credit is $10,000 for each incremental full-time employee for each of the 2015 through 2019 taxation years.

These incentives will also apply to corporations producing interactive digital media and creative industry products.

The corporation income tax rebate for primary steel production will be available to eligible primary steel producers who make a minimum capital investment of $100 million in new or expanded productive capacity. The incentive is for each year of a five year rebate period and will be based on the incremental provincial tax payable as a result of this investment.

Investment in infrastructure

As the beginning of a four year $5.8 billion dollar commitment billed as the Saskatchewan Builds Capital Plan, more than $1.3 billion is committed this year to infrastructure investment, including key investments in transportation, municipal, education and health capital. The goal is to provide improved highways, more schools, advanced education training and enhanced health facilities. This investment will be funded with an additional $700 million of government borrowing.

Controlled spending

To maintain a balanced budget, overall spending was limited to $14 billion without changing revenue sharing with municipalities.

Increase in potash production tax revenues

The potash production tax is being changed to extend the deduction period for capital expenditures by potash producers. Effective January 1, 2015, all capital expenditures will be allowed to accrue at the 120% rate but will now only be deductible from annual gross sales revenues at a 20% declining balance rate for mine operation and maintenance expenditures and at a 60% declining balance rate for mine expansion or new mine development expenditures. This is an interim step to provide additional revenue for the province and will be followed by a broader review of the entire potash taxation regime.

For further details, we refer you to the **Ministry of Finance** website.

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