



Canadian tax alert

2017-2018 Saskatchewan budget highlights

March 22, 2017

The Minister of Finance, Kevin Doherty, introduced the 2017-2018 provincial budget, "Meeting the Challenge". The following is a summary of the tax highlights contained in the budget.

Fiscal/economic outlook

As expected, with a revenue base relying heavily on the resource sector, the government is proposing a shift to a more stable revenue base. The 2017-2018 deficit is expected to be \$685 million. The government is forecasting a \$304 million deficit for 2018-2019 and a return to surplus in 2019-2020.

In order to balance the budget by 2020, the government has focused on both spending cuts (ranging from rollbacks of public sector wages to spending reductions in a wide range of areas) and a slight shift from income taxation to consumption taxation.

Personal tax measures

Budget 2017-2018 contained some significant announcements with respect to personal tax measures.

Personal tax rates

The budget proposes to reduce the tax rate on each of Saskatchewan's three personal income tax brackets by 0.5%, effective July 1, 2017, and another 0.5% reduction effective July 1, 2019:

	\$45,225 or less	\$45,226 to \$129,214	More than \$129,214
Current Rate	11.0%	13.0%	15.0%
Proposed Rates			
July 1, 2017	10.5%	12.5%	14.5%
July 1, 2019	10.0%	12.0%	14.0%

The indexation of the tax brackets is being temporarily suspended beginning in the 2018 taxation year.

Tuition and education credit

Effective July 1, 2017, the personal tax credit for tuition and education amounts is being eliminated. The tuition and education credit provided those attending post-secondary education with a tax credit equal to 11% of total eligible tuition fees paid and 11% of the total of \$400 per month of full-time attendance (\$120 per month of part-time attendance).

Unused amounts carried forward from previous taxation years will remain available but no new credits can be earned after June 30, 2017.

Saskatchewan employee's tools tax credit

Prior to 2017, an employee resident in Saskatchewan who, as a condition of employment, was required to provide eligible tools for use in a certain trade occupation, the employee was allowed to claim a credit that would vary based on the qualifying tools expense. Budget 2017-2018 proposes to eliminate the Saskatchewan employee's tools tax credit effective for the 2017 taxation year.

Labour-sponsored venture capital tax credit

Individuals investing in the shares of a provincially or federally-registered labour-sponsored venture capital corporation (LSVCC) are eligible for a provincial tax credit on the cost of their investment. Effective for the 2018 taxation year, the tax credit rate for individuals investing in the shares of a LSVCC will be reduced from 20% to 15% of the investment amount, to a maximum credit of \$750 (previously \$1,000).

First Home Plan for recent graduates

Through the First Home Plan, individuals in the Graduate Retention Program may be eligible for an interest-free loan of up to \$10,000 to use towards the down payment on the first home they purchase in Saskatchewan. This program is being suspended.

Saskatchewan Low-Income Tax Credit

The Saskatchewan Low-Income Tax Credit (SLITC) provides a refundable credit for families with income of up to \$67,697 (adjusted based on the level of income). A family income of \$32,643 will earn the full amount of the credit; the credit is reduced as income increases, with full elimination at \$67,697.

Budget 2017-2018 proposes to enhance the credit available to low-income families by:

- increasing the maximum basic adult component and the spousal/equivalent from \$246 to \$346;
- increasing the child component from \$96 to \$136 per child, to a maximum of \$272 per family; and
- increasing the benefit clawback rate from 2.0% to 2.75%.

Business tax measures

Corporate tax rate

Budget 2017-2018 proposes to reduce the general corporate income tax rate from the current 12% to 11.5% effective July 1, 2017, and to further reduce it to 11% effective July 1, 2019.

In conjunction with this change, the 11% dividend tax credit rate for eligible dividends will be reduced to 10% over the period beginning 2017 and ending in 2020 (utilizing a 0.25% reduction per year).

Saskatchewan Commercial Innovation Incentive

Commonly known as a "patent box" tax incentive, the Saskatchewan Commercial Innovation Incentive will reduce the general corporate income tax rate to 6% on taxable income earned from the commercialization of qualifying intellectual property in the province for a 10 year period. That period can be extended to 15 years if the qualifying intellectual property is substantially developed in Saskatchewan.

The government indicates that the program will be available to a wide range of intellectual property, including patents, plant breeder rights, trade secrets and copyrights. It will also be open to any corporation operating in any sector provided it is solely engaged in the commercialization of qualifying intellectual property and it meets the eligibility requirements.

Saskatchewan Research and Development Tax Credit

Effective April 1, 2017, in an attempt to better target smaller and medium-sized innovation companies, the government is proposing a new 10% refundable component of the Saskatchewan Research and Development Tax Credit (SRDTC). The refundable component of the credit will be limited to the first \$1 million in annual qualifying expenditures incurred in Saskatchewan by a Canadian-controlled private corporation. The 10% non-refundable credit currently available will continue to be available for expenditures in excess of \$1 million but the total SRDTC is capped at \$1 million per year.

M&P Investment Tax Credit

The Saskatchewan M&P Investment Tax Credit (ITC) is a refundable credit available to all M&P corporations. The amount of the credit is a specified portion of the cost of eligible new and used M&P buildings, machinery and equipment. Effective March 23, 2017, the refundable rate increases from 5% to 6% of eligible capital acquisitions made on or after March 23, 2017.

Corporation capital tax rate on large financial institutions

The corporation capital tax is imposed on financial institutions which have paid-up capital in excess of \$10,000,000. Effective April 1, 2017, the tax rate is proposed to be increased from 3.25% to 4%.

Provincial tax preference for credit unions

Credit unions in the province are eligible for preferential rate treatment by paying a lower tax rate on a portion of their income. Beginning in 2017, that reduction is proposed to be phased out over four years.

Other measures

Provincial sales tax

Budget 2017-2018 proposes several substantial changes to the provincial sales tax (PST):

- The PST is being raised from 5% to 6%.
- The PST base is expanded to insurance premiums, effective for premium payment due dates on or after July 1, 2017 (including life, accident, health, property, vehicle, liability, casualty, and agricultural insurance.)
- PST exemptions were previously available for the following:
 - children's clothing,
 - restaurant meals, and
 - snack food.

Effective April 1, 2017, these exemptions are proposed to be eliminated.

- PST is now proposed to be payable on contracts for the repair, renovation or improvement of real property, effective for contracts entered into on or after April 1, 2017. The contractors, however, will be eligible to acquire tax-free building materials for use in fulfilling the contract.

- The province has changed how PST on the purchase of used vehicles is being calculated.

Other

Various other proposed changes include:

- Eliminating the exemption for bulk purchases of gasoline and reducing the exemption for bulk purchases of diesel fuel to 80% of purchases;
- Increasing tobacco tax rates from \$0.25 to \$0.27 per cigarette;
- Liquor mark-ups; and
- Education property tax increases.

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

Your dedicated team:

National

Carl Allegretti

Canadian Tax Leader

Tel: 416 601 6150

Albert Baker

National Tax Policy Leader

Tel: 416 643 8753

Prairie Region

Markus Navikenas

Tax Director of Operations

Tel: 403 267 1859

Saskatchewan

Michael D. Smith

Partner, Tax

Tel: 306 343 4453

Humphrey Tam

Partner, Tax

Tel: 306 343 4463

Deloitte LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 200
Toronto ON M5H 0A9
Canada

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