

TAXATION CHANGES – 2013 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Stan Struthers in his Budget Address on April 16, 2013.

RETAIL SALES TAX

Rate changes Effective July 1, 2013, the following retail sales tax rates will change for a ten year period ending June 30, 2023:

- The general sales tax rate will change from 7% to 8%,
- The sales tax rate on mobile, modular and ready-to-move homes will change from 4% to 4.5%,
- The reduced sales tax rate for electricity used by qualifying manufacturers, mining companies and oil well operators will change from 1.4% to 1.6%, and
- The prorate vehicle tax rates will also change. Please see the information notice – *Prorate Vehicle Tax Rates* for further information.

The reduced sales tax rate for home heating, heating and cooling farm buildings, and operating farm grain dryers remains at 1.4%.

These rate changes will assist in infrastructure funding and will return to the rates that existed prior to these changes on July 1, 2023.

Please see information notice – *Transition Rules* for further information.

Exemption for baby supplies Effective July 1, 2013, baby supplies such as diapers, strollers, cribs, gates and monitors, as well as items used for nursing, feeding or bathing will be exempt from sales tax.

Please see bulletin No. 055 – *Baby Supplies* for further information.

Exemption for child safety restraint systems Effective July 1, 2013, child safety restraint systems used in vehicles, such as car seats and booster seats, will be exempt from sales tax.

Exemption for bicycle helmets Effective July 1, 2013, helmets designed for use while riding a bicycle will be exempt from sales tax. No age restriction applies.

Exemption for sand/salt purchased by municipalities expanded Effective July 1, 2013, the sales tax exemption for municipalities on sand/salt mixtures (containing at least 80% sand) will be expanded from flood related activities to include any municipal works.

CORPORATION CAPITAL TAX**Financial institutions tax rate change**

Effective for fiscal years ending after April 16, 2013, the corporation capital tax rate for banks and trust and loan corporations will change from 4% to 5%.

Banks and trust and loan corporations with taxable paid up capital (as an associated group) under \$4 billion continue to be exempt from corporation capital tax.

TOBACCO TAX**Tax rate change**

Effective midnight April 16, 2013, the tax rates on tobacco products change as follows:

	New Tax Rate	Previous Tax Rate
Cigarettes (each)	29.0¢	25.0¢
Fine Cut (per gram)	28.0¢	24.0¢
Raw Leaf (per gram)	26.5¢	22.5¢

The tax rate per cigar remains 75% of its price at retail to a maximum of \$5.00 per cigar.

An inventory declaration form will be sent to retailers to complete. This form must be submitted along with any additional taxes payable no later than May 21, 2013

FUEL TAX**Fuel tax licence requirement eliminated for retailers**

To reduce red tape and administration costs, fuel dealers that strictly sell fuel at retail will no longer be required to register and hold a fuel tax licence.

A fuel tax licence will still be required for fuel tax collectors and vendors of marked fuel.

Eligible fuel retailers will be contacted regarding this change.

Natural gas used in motor vehicles

Natural gas used in motor vehicles is sold by the cubic meter. On an energy equivalent basis, the current diesel fuel tax rate of 14¢/litre equates to 10¢ per cubic meter of natural gas. This rate will be phased in as follows:

- 3¢ per cubic meter for sales after April 16, 2013 to March 31, 2014;
- 6¢ per cubic meter from April 1, 2014 to March 31, 2015; and
- 10¢ per cubic meter after March 31, 2015.

Further information on retail sales tax, corporation capital tax, tobacco tax and fuel tax may be obtained from Manitoba Finance – Taxation Division:

Winnipeg Office

Manitoba Finance
Taxation Division
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone (204) 945-5603
Manitoba Toll Free 1-800-782-0318
Fax (204) 948-2087

Westman Regional Office

Manitoba Finance
Taxation Division
314, 340 - 9th Street
Brandon, Manitoba R7A 6C2
Fax (204) 726-6763

E-mail: MBTax@gov.mb.ca

TAXATION DIVISION ONLINE SERVICES

Our Web site at manitoba.ca/finance/taxation provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at manitoba.ca/TAXcess provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.

PERSONAL TAX MEASURES

Dividend tax credit To maintain integration with the federal gross-up on non-eligible dividend distribution by Canadian-controlled private corporations when the gross-up changes from 25% to 18% in 2014, the 1.75% Manitoba Dividend Tax Credit will be adjusted to 0.83%.

Dividends paid by companies subject to the general tax rate will continue to be subject to a 38% gross-up and 8% Manitoba Dividend Tax Credit.

ENVIRONMENTAL MEASURES

Odour control tax credit Budget 2013 makes the tax credit fully refundable to agricultural producers, including individual farmers, on qualifying property acquired after 2012.

BUSINESS MEASURES

Data processing investment tax credit The credit is broadened to include companies that are not engaged primarily in data processing in Manitoba. A taxable Canadian corporation with a permanent establishment in Manitoba that acquires at least \$10 million of incremental eligible data processing equipment in a taxation year will qualify for an 8% refundable investment tax credit. Eligible property includes Class 46 and Class 50 data processing equipment purchased, leased and made available for use in Manitoba after April 16, 2013 and before 2016.

For companies where the primary business activity, including the activities of its affiliates, is data processing, the tax credit rate will increase from 4% to 4.5% on the capital cost of new qualified property that is a building and from 7% to 8% on the capital cost of new qualified property that is machinery or equipment.

Rental Housing Construction Tax Credit An 8% tax credit on the capital cost of new rental housing in Manitoba is established. Eligible projects include the construction of five or more new residential rental units, with at least 10% of the units qualifying as affordable rental housing units. New rental units include existing non-residential properties being converted into residential units, in which case capital costs related to the acquisition and conversion of the property are eligible. The maximum credit is set at \$12,000 per eligible rental unit.

Eligible landlords can operate as a for-profit or not-for profit entity, but must be residents of Manitoba or have a permanent establishment in Manitoba. Eligible not-for-profit projects will receive a fully refundable tax credit in the year in which the tax credit is earned, as qualifying units are rented. The tax credit on for-profit projects will be claimable over a minimum of five years, and is non-refundable.

Landlords are required to file an annual attestation for five years identifying the affordable units and the total new rental units constructed.

Research and Development Tax Credit	The 20% tax credit is being amended to protect the base from the changes to the federal Scientific Research and Experimental Development Tax Credit. Manitoba is adjusting the tax credit to maintain eligibility of capital in the Manitoba tax credit base when it is removed from the federal base. Contract payments to eligible institutes will remain eligible at 100% when all contract payments in the federal base are reduced to 80%. Manitoba will follow the federal changes to reduce the 65% prescribed proxy amount for overhead to 60% of direct labour costs in 2013 and to 55% starting in 2014.
Manufacturing investment tax credit	The 10% tax credit is being amended to increase the refundable portion from seven-tenths to eight-tenths on qualifying property acquired after June 30, 2013.
Small business income limit	The small business limit for Canadian-controlled private corporations that qualify for the 0% small business rate will be increased from \$400,000 to \$425,000 on January 1, 2014.
Film and video production tax credit	The refundable tax credit is extended to December 31, 2016.
Interactive digital media tax credit	The 40% refundable tax credit is extended to December 31, 2016. For eligible projects that commence productions after January 1, 2013 the tax credit is enhanced to: allow up to \$100,000 in marketing and distribution costs directly attributable to an eligible project; to eliminate the Canada Media Fund grind for repayable or recoupable funding; and to clarify product sale requirements.
Small business venture capital tax credit	The 30% non-refundable tax credit is extended to December 31, 2016.
Further information on the dividend, odour control, data processing investment, rental housing construction, research and development, manufacturing investment, film and video production, interactive digital media and small business venture capital tax credits, and on the small business limit may be obtained from Manitoba Finance – Fiscal Research Division: Telephone: 204-948-3757 in Winnipeg Fax: 204-945-5051 e-mail: feedbackfin@gov.mb.ca	
Farmland school tax rebate	The 80% refundable tax credit is amended for the 2013 property tax year to: require beneficiaries to be Manitoba residents; cap the rebate at \$5,000; and set an application deadline of March 31 of the following year.

Further information on the farmland school tax rebate may be obtained from Manitoba Agricultural Services Corporation:
Telephone: 204-726-7068 in Winnipeg
Fax: 204-726-6849
e-mail: fstr@masc.mb.ca