

TAXATION CHANGES – 2010 BUDGET

The following taxation changes were announced by Manitoba Finance Minister Rosann Wowchuk in her Budget Address on March 23, 2010.

BUSINESS TAX MEASURES

Research and Development Tax Credit enhanced

The 20% Research and Development Tax Credit is fully refundable for scientific research and experimental development (R&D) expenditures carried on in Manitoba under an eligible contract with a qualifying research institute in Manitoba. Budget 2010 extends refundability of this tax credit to in-house R&D expenditures (i.e. R&D not undertaken under contract with an institute in Manitoba) as follows:

- starting 2011, one-quarter of the credit for in-house R&D will be refundable
- starting 2012, one-half of the credit for in-house R&D will be refundable

Co-op Education and Apprenticeship Tax Credits broadened

Starting in 2011, the family of Co-op Education and Apprenticeship Tax Credits (CEATC) is broadened to include employers who hire high-school and post-secondary Level 1 and 2 apprentices, but who are not eligible for the federal Apprenticeship Job Creation Tax Credit. This includes tax-exempt employers as well as taxable employers of non-Red-Seal apprentices. This new tax credit will be equal to 10% of net wages and salaries paid to an apprentice, up to a maximum of \$2,000.

Co-operative Development Tax Credit introduced

Starting in October, 2010 co-operatives that make financial contributions towards co-operative development in Manitoba will be eligible for a new tax credit. Program details will be announced after further consultations.

Credit Unions & Caisses Populaires Profits Tax introduced

Commencing January 1, 2011, credit unions and caisses populaires with a permanent establishment in Manitoba will be subject to a 1% profits tax on taxable income in excess of \$400,000. Profits will be defined as Manitoba taxable income as determined under federal income tax. The profits tax will be reduced by any amount of Manitoba income tax paid or payable in that year.

Where a credit union or caisses populaires' taxation year straddles January 1, 2011, it will calculate profits apportioned by the number of days in that year following December 31, 2010.

Credit union centrals, caisses populaires federations and deposit guarantee corporations are exempt.

A profits tax return must be filed no later than six months after the end of a fiscal year. The profits tax will be collected and administered by Taxation Division, Manitoba Finance.

Film and Video Production Tax Credit extended The Manitoba Film and Video Production Tax Credit is extended to March 1, 2014. Starting with productions which commence principal photography after March 2010, production companies can elect to claim either the maximum 65% film tax credit based on eligible labour costs or a new 30% tax credit based on production costs incurred and paid for labour, goods and services provided in Manitoba that are directly attributable to the production of an eligible film.

The following changes are also proposed, effective March 24, 2010:

- production companies may file Form T2029, Waiver in Respect of the Normal Reassessment Period, to extend their application deadline by 18 months;
- amendments to the governing legislation will be made to provide the Province with greater flexibility to make changes in response to external changes; and
- Federal limitation periods will be adopted for filing a Manitoba film tax credit certificate with the Canada Revenue Agency.

Small Business Venture Capital Tax Credit extended The Community Enterprise Investment Tax Credit is extended to December 31, 2013 and it is renamed the Small Business Venture Capital Tax Credit. The program will be amended to prioritize economic development in accordance with Provincial objectives. Additionally, administrative changes will be made that correspond to other tax credit programs.

Interactive Digital Media Tax Credit extended The Interactive Digital Media Tax Credit is extended to December 31, 2013. Changes effective for certificates of eligibility and tax credit certificates issued after March 23, 2010 include:

- tax credit certificates can be issued on a taxation year basis instead of at the end of a project;
- repaid or repayable government assistance will no longer reduce eligible labour costs; and
- where a government or public authority is the purchaser of an interactive digital media product, the amount paid by the purchaser and the amount of the Interactive Digital media Tax Credit cannot exceed 100% of the project's costs.

For more information on the Research and Development Tax Credit, the Co-operative Development Tax Credit and the Credit Union and Caisses Populaires Profits Tax contact Taxation, Economic & Intergovernmental Fiscal Research Division, Manitoba Finance

Telephone: 204-945-3757
Fax: 204-945-5051
e-mail: fedprov@gov.mb.ca

For more information on the Co-op Education and Apprenticeship Tax Credit contact Apprenticeship Manitoba, Manitoba Entrepreneurship, Training & Trade

Telephone: 204-945-3337 in Winnipeg
Toll-free: 1-877-978-7233
Fax: 204-948-2346
e-mail: apprenticeship@gov.mb.ca
Web: www.gov.mb.ca/tce/apprent/future/apprent_taxcredit

For more information on the Film and Video Production Tax Credit contact Manitoba Film & Music Recording Development Corporation

Telephone: 204-947-2040

Fax: 204-956-5261

e-mail: explore@mbfilmmusic.ca

For more information on the Small Business Venture Capital Tax Credit contact Financial Services, Business Services Division, Manitoba Entrepreneurship, Training & Trade

Telephone: 204-945-5839

Fax: 204-945-1193

Web: www.gov.mb.ca/ctt/busdev/financial

For more information on the Interactive Digital Media Tax Credit contact Knowledge Enterprises Branch, Manitoba Innovation, Energy and Mines

Telephone: 204-945-0589

Fax: 204-945-3977

e-mail: newmediainquiries@gov.mb.ca

PERSONAL TAX MEASURES**Tuition Fee
Income Tax
Rebate
Advance
introduced**

Students resident in Manitoba and attending a post-secondary institution will be able to claim a Tuition Fee Income Tax Rebate Advance in the form of a refundable 5% tax credit on tuition and ancillary fees paid after August 31, 2010.

The tax credit is claimable by a student even if the tuition and education amount is transferred to a parent or spouse. There is an annual cap of \$250 in 2010, and of \$500 in following years, and a lifetime cap of \$5,000 under the Advance. Amounts claimed as an Advance will reduce the lifetime maximum of \$25,000 under the Rebate following graduation.

Where an individual is claiming a Rebate in a given year, they are not eligible to claim the Advance.

**Fitness Tax
Credit
broadened**

Starting in 2011, the Children's Fitness Tax Credit is renamed the Fitness Tax Credit and is broadened to include claims for fitness activities by young adults ages 16 through 24.

The annual cost of eligible fitness activities up to \$500, as defined under the federal legislation, can be claimed by the young adult, or by a spouse or parent. This will provide an annual benefit of up to \$54 per young adult. Young adults with a disability, on whose behalf at least \$100 is spent for qualifying fitness activities, will be eligible for an additional \$54 credit for a maximum tax credit of \$108, as is currently the case for children. The credits reduce Manitoba income tax otherwise payable for a year.

**Fertility
Treatment Tax
Credit
introduced**

The Fertility Treatment Tax Credit is a refundable personal income tax credit equal to 40% of fertility treatment costs paid to an accredited clinic in Manitoba and for prescription drugs, net of any reimbursements such as private health care coverage, related to the treatment of a Manitoba resident.

Up to \$20,000 in annual eligible costs incurred and paid after September, 2010, may be claimed for a maximum credit of \$8,000. Eligible costs must be claimable as a medical expense under Federal income tax rules. The credit can be shared with a spouse or common law partner.

For more information on the Tuition Fee Income Tax Rebate Advance, Fitness Tax Credit and Fertility Treatment Tax Credit, contact Manitoba Finance – The Manitoba Tax Assistance Office:

809 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 948-2115 in Winnipeg
Manitoba Toll Free 1-800-782-0771
Fax (204) 948-2263
E-mail TAO@gov.mb.ca

OTHER TAX MEASURES

Land Transfer Tax exemption Transfers between a registered charity and its wholly controlled non-profit organization will be exempt from Land Transfer Tax on transfers of title registered after June 1, 2010.

Riparian Tax Credit extended Riparian Tax Credit is extended for an intake group running from 2010 to 2014.

Farmland School Tax Rebate increase deferred The scheduled increase of the Farmland School Tax Rebate to 80% in 2010 is deferred with the rate remaining at 75%.

For more information on Land Transfer Tax, contact Manitoba Land Titles:

Telephone: 204- 945-2042 (Winnipeg)
Fax: 204- 948-2140 (Winnipeg)
For other locations, see:
Web: www.gov.mb.ca/tpr/land_titles/surveys/docs/faq_lto.pdf

For more information on the Riparian Tax Credit, contact Manitoba Finance – The Manitoba Tax Assistance Office:

809 – 386 Broadway
Winnipeg, Manitoba R3C 3R6
Telephone (204) 948-2115 in Winnipeg
Manitoba Toll Free 1-800-782-0771
Fax (204) 948-2263

For more information on the Farmland School Tax Rebate, contact Manitoba Agricultural Services Corporation:

Telephone: 204-726-7068
Fax: 204-726-6849
e-mail: fstr@masc.mb.ca
Web: www.masc.mb.ca/masc.nsf/program_farmland_school_tax_rebate

RETAIL SALES TAX

Registration requirement eliminated for small businesses To reduce paperwork and tax administration costs, small businesses with annual taxable sales under \$10,000 will no longer be required to register and collect sales tax. Businesses under this threshold can choose to pay sales tax on their purchases and not register and collect sales tax on the selling price of their goods and services.

Please see the Taxation Division's *Notice – Registration Requirement Eliminated For Small Businesses* for additional information.

Exemption for shredded tires

Effective April 1, 2010, shredded tires purchased by municipalities for use in municipal works are exempt from sales tax.

Exemption for rockbolts, shotcrete and wiremesh expanded

Effective April 1, 2010, rockbolts, resins, shotcrete, wiremesh, washers, rockbolt straps, and wire rope for rockbolting are exempt from sales tax when purchased for use at a mine site. Previously these items were only exempt when used in mining stopes.

Vehicle valuation program

Effective June 1, 2010, the application of sales tax on the private purchase of used motorcycles, snowmobiles and all terrain vehicles will be aligned with the existing valuation program relating to the private purchase of used vehicles. Sales tax will be payable on the greater of the purchase price or the current established resale value.

Tanning services

Effective July 1, 2010, sales tax will apply to all tanning services, except for air brush and spray-on tanning services.

Please see the Taxation Division's *Notice – Tanning Services* for additional information.

TOBACCO TAX

Rates increased

Effective midnight March 23, 2010, the tax rates on tobacco products increase as follows:

	New Tax Rate	Previous Tax Rate
Cigarettes (each)	20.5¢	18.5¢
Fine Cut (per gram)	19.5¢	17.5¢
Raw Leaf (per gram)	18.0¢	16.0¢

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

GASOLINE AND MOTIVE FUEL TAXES

Fuel dye concentrate

Effective midnight March 23, 2010, Manitoba Finance will no longer supply or bear the cost of fuel dye concentrate used by fuel distributors to mark fuel for exemption purposes.

Please see the Taxation Division's *Notice – Fuel Dye Concentrate* for additional information.

Biodiesel exemption replaced with production grant

Effective April 1, 2010, the motive fuel tax exemption for biodiesel will be replaced with a production grant. Effective this date, the motive fuel tax exemption for biodiesel will be repealed and all biodiesel blends will be subject to motive fuel tax at 11.5 ¢ per litre.

Further information on biodiesel initiatives may be obtained from Manitoba Innovation, Energy and Mines, Energy Development Initiative, Ethanol/Biodiesel Office:

12th Floor, 155 Carlton Street
Winnipeg, MB R3C 3H8
Telephone (204) 945-7392
Fax (204) 943-0031
E-mail ethanol@gov.mb.ca
Web site www.gov.mb.ca/stem/energy/biofuels/biodiesel/.

Further information on retail sales tax, tobacco tax and fuel taxes 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
Telephone (204) 726-6153
Manitoba Toll Free 1-800-275-9290
Fax (204) 726-6763

E-mail: MBTax@gov.mb.ca

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.