

Budget 2020

Manitoba

Making sense of what's next.

March 2020

On March 19, 2020, Finance Minister Scott Fielding tabled Manitoba's 2020-21 budget (Budget 2020). The provincial government forecasts strong revenue growth in 2020-21 with a projected increase of \$712 million, or 4.2% from last year. The estimates provided in Budget 2020 show that the province's deficit for the 2019-20 fiscal year is \$35 million less than the deficit projected for the same fiscal year in the previous budget.

From a fiscal perspective, the province is expecting to continue reducing the provincial deficit according to the following projection:

Year	Projected surplus/ (deficit)
2019-20	(\$325 million)
2020-21	(\$220 million)



Retail sales tax measures

As previously announced, Budget 2020 further reduces the retail sales tax (RST) rate. Effective July 1, 2020, the general RST rate will decrease from 7% to 6%. Budget 2019 had reduced this rate from 8% to 7%.

As a result of this 1% reduction, Manitoba's RST rate will now be the same as Saskatchewan's provincial sales tax (PST) rate of 6%.

In addition to the reduction in the general RST rate, effective July 1, 2020, there is also a decrease in RST rates for the following:

	Prior RST Rate	RST Rate, effective July 1, 2020
Rate of Electricity used by qualifying manufacturing, mining and oil well operators	1.40%	1.20%
Rate on mixed uses of electricity and natural gas used for home heating, heating and cooling of farm buildings and operating farm grain dryers	1.40%	1.20%
Rate on mobile home, modular and ready-to-move homes	4.00%	3.50%
Prorated vehicle tax rates for commercial trucking	7.00%	6.00%

Vendors making taxable sales and purchasers required to self-assess RST would have to adhere to the recently announced transitional rules for transactions straddling the effective date of July 1, 2020 to determine the correct rate that needs to be charged.

Furthermore, effective October 1, 2020, the preparation of personal income tax returns will be exempted from RST.

Green Levy

Effective July 1, 2020, Budget 2020 introduces a green levy at a flat rate of \$25 per tonne of carbon dioxide equivalent emissions.

Green levy rates for the main types of fuel consumed in Manitoba are as follows:

Fuel Type	Green Levy rate per unit
Gasoline	5.30 ¢/L
Diesel	6.74 ¢/L
Natural Gas	4.74 ¢/L
Propane	3.87 ¢/L

Exemptions to this will include agricultural process emissions, marked fuels and Output-Based Pricing System entities (OBPS).

The green levy on natural gas and coal will also be exempted from RST.

Vehicle Registration Fees

Effective July 1, 2020, Budget 2020 reduces the vehicle registration fees by 10%. This reduction applies to non-commercial vehicles, including passenger vehicles, trucks, trailers, motorcycles/mopeds and off-road vehicles.

Probate Fees

Effective July 1, 2020, Budget 2020 eliminates the requirement to pay any probate fees for the probate of an estate of a deceased person.

Tobacco Tax

Effective July 1, 2020, the tax rate on all tobacco products sold in Manitoba will increase as follows:

Product	Change in tax rate
Cigarettes and tobacco sticks	Increase from 30.0 ¢ per unit to 30.5 ¢ per unit
Fine cut tobacco	Increase from 45.5 ¢ per gram to 46.0 ¢ per gram
Raw leaf tobacco	Increase from 27.5 ¢ per gram to 28.0 ¢ per gram
Other tobacco products	Increase from 29.0 ¢ per gram to 29.5 ¢ per gram

Business tax measures

Corporate tax rates

No changes to the corporate tax rates, or the \$500,000 small business limit, are proposed.

Manitoba's corporate tax rates for 2020 are summarized as follows:

Combined federal and Manitoba corporate tax rates

	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
MB only	0.00%	12.00%	12.00%
Federal and MB combined	9.00%	27.00%	27.00%

The Health and Post-Secondary Education Tax Levy

Presently, businesses pay this payroll tax based on their salary costs as follows:

Payroll Tiers – Present	Payroll Tax (% of payroll)
Businesses with payroll \$1.25M or less	0.00%
Between \$1.25M-\$2.5M	4.30% on the amount in excess of 1.25M
Over \$2.5M	2.15% of the total payroll

Effective January 1, 2021, Budget 2020 reduces the number of businesses required to pay payroll tax by changing the payroll tiers as follows:

Payroll Tiers – Effective Jan 1, 2021	Payroll Tax (% of payroll)
Businesses with payroll \$1.5M or less	0.00%
Between \$1.5M-\$3M	4.30% on the amount in excess of 1.25M
Over \$3M	2.15% of the total payroll

Tax credit changes

The following credits or exemptions have been revised as a result of Budget 2020:

Credit	Change
Film and video production tax credit	Effective for principal photography that begins after May 31, 2020, cost-of-production credit under the Film and Video Production Tax Credit has increased up to 38% (from 30%).
Child Care Centre Development Tax Credit	Effective after budget day, this refundable corporation income tax credit is available for private corporations that create new child care centers and do not primarily provide child care services. A total benefit of \$10,000 per new infant or preschool space created can be claimed over five years.
Manufacturing Investment Tax Credit (MITC)	The refundable portion of the MITC will be reduced from 7% to 6% (to match the decrease in RST), effective for qualifying property acquired and available for use after June 30, 2020. Also, the MITC is made permanent and is no longer scheduled to expire on December 31, 2020.
Mineral Exploration Tax Credit	Credit extended to December 31, 2023.
Culture industries printing tax credit	Credit extended to December 31, 2021.
Community Enterprise Development Tax Credit	Credit extended to December 31, 2021.

Personal tax measures

Personal income tax rates

Beginning in the 2017 taxation year, Manitoba's personal tax brackets became indexed to inflation on an annual basis. Budget 2020 reconfirms this indexation but provides no further changes to the personal tax brackets and rates. The rates for 2020 are as follows:

- 10.80% on the first tax bracket (up to \$33,389)
- 12.75% on the second tax bracket (from \$33,390 to \$72,164)
- 17.40% on the third tax bracket (over \$72,164)

The top combined federal Manitoba marginal tax rates for 2020 are as follows:

Taxable income	2020
Interest	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Regular dividends	46.67%

Other changes

- **Registration of Tax Rebate Discounters:** Effective the 2020 taxation year, Budget 2020 eliminates the requirement to register with the Province of Manitoba as a tax rebate discounter.
- **Primary Caregiver Tax Credit:** Related provisions of the Income Tax Act (Manitoba) will be amended to require a renewal every three years.
- **The Optometry Act:** Amendments to this Act will allow optometrists to provide their professional services via a professional corporation.