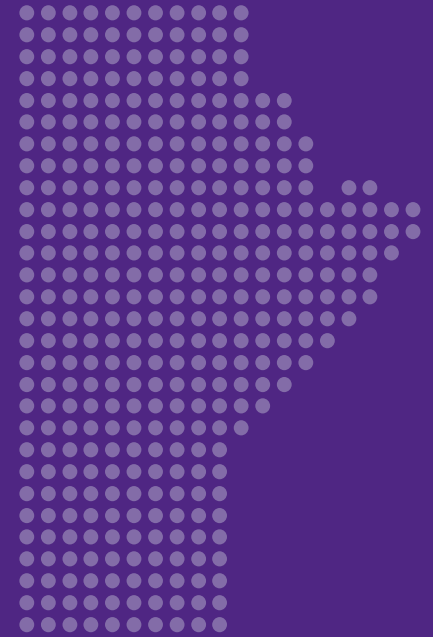


Budget 2021

Manitoba

Making sense of what's next.



April 2021

On April 7, 2021, Finance Minister Scott Fielding tabled Manitoba's 2021-22 budget (Budget 2021).

The estimates provided in Budget 2021 show a deficit of \$2.1 billion for the 2020-21 fiscal year, which is \$12 million less than the deficit projected for the same fiscal year in the previous budget.

The government announced a budget of approximately \$16.7 billion with a projected deficit of \$1.6 billion for fiscal year 2021-22. More than 40% of the budget, \$6.98 billion, is allocated to health care spending.

The government plans to return to a balanced budget within eight years.



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 2021 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%

Payroll Tax: Health and Post-Secondary Education Tax Levy

Effective January 1, 2021, Budget 2021 reduces payroll taxes for employers by raising the exemption threshold for this levy as follows:

Payroll tax rate	Current payroll tiers	Payroll Tiers Effective Jan. 1, 2022
0.00%	Less than \$1.5M	Less than \$1.75M
4.30%	\$1.5M - \$3M	\$1.75M - \$3.5M
2.15%	Over \$3M	Over \$3.5M

According to the government, the new higher thresholds will benefit approximately 1,100 Manitoba employers.

Tax credit changes

The following credits have been revised as a result of Budget 2021:

Credit	Change
Interactive digital media tax credit	<p>This credit provides eligible companies with a refundable credit on up to 40% of eligible project costs incurred to develop an interactive digital media product in Manitoba.</p> <p>Starting in 2021, eligible activities for this tax credit will now include add-on digital media and content that are complementary to the main product being developed (e.g., downloadable content, ongoing maintenance and updates, and data management and analysis).</p> <p>In addition, this credit, which was scheduled to expire on December 31, 2022, is now permanent.</p>
Small business venture capital tax credit	<p>This credit provides a non-refundable tax credit up to 45% to individuals and corporations that acquire equity capital in eligible Manitoba businesses.</p> <p>Starting in 2021, the maximum eligible investment by an investor increases from \$450,000 to \$500,000. The maximum tax credit claimable against Manitoba income tax increases from \$67,500 to \$120,000.</p>
Film and video production tax credit	<p>As part of the Cost-of-Salaries Tax Credit, Manitoba producers that provide three or more productions in a two-year period are eligible for a frequent filming bonus of 10%.</p> <p>Due to the ongoing COVID-19 pandemic, Budget 2021 will temporarily “stop the clock” for a two-year period for purposes of determining eligibility for the frequent filming bonus. All companies that were eligible for the bonus on March 31, 2020 can have the status remain in effect until March 31, 2022, at which point their frequent filming status resumes.</p> <p>For those companies that continue to produce during the pandemic, their time period continues as normal so as to not disadvantage them.</p>
Book publishing tax credit	<p>Eligible book publishing businesses in Manitoba can claim a 40% refundable credit of eligible Manitoba labour costs to a maximum of \$100,000 per year.</p> <p>This credit was scheduled to expire on December 31, 2024 and is now permanent.</p>
Cultural industries printing tax credit	<p>This credit provides Manitoba's printing industry with a 35% refundable credit on wages paid to Manitoba employees of a book printing division</p> <p>The credit is now extended from December 31, 2021 to December 31, 2022.</p>
Community enterprise development tax credit	<p>This provides a 45% refundable tax credit to individuals and corporations that acquire equity capital in community-based enterprises in Manitoba.</p> <p>The credit is now extended from December 31, 2021 to December 31, 2022.</p>

Personal tax measures

Personal income tax rates

Tax brackets are indexed to inflation in Manitoba. No changes to the personal tax rates are proposed. The rates for 2021 are as follows:

Tax bracket	Marginal tax rate
\$33,723 or less	10.8%
\$33,724 - \$72,885	12.75%
\$72,886 and over	17.4%

The top combined federal/Manitoba marginal tax rates for 2021 are as follows:

Taxable income	2021
Interest	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Regular dividends	46.67%

Teaching Expense Tax Credit

Budget 2021 introduces a new Teaching Expense Tax Credit, which mirrors the federal [Eligible Educator School Supply Tax Credit](#). This credit will allow teachers and educators to claim a 15% refund (in addition to the 15% provided by the federal measure) for up to \$1,000 spent on school supplies that are not reimbursed by their employers.

Sales tax measures

Exemption for personal services

As announced in Budget 2021, personal services, including hair services, non-medical skin care and aesthetician services, body modifications and spa services will be exempted from the 7% Manitoba Retail Sales Tax (RST), effective December 1, 2021. It should be noted that the RST will still apply to tanning services provided by a device that uses ultraviolet radiation.



Digital products and services

Budget 2021 proposes a few changes to RST in a digital environment on certain sales made to consumers in Manitoba effective December 1, 2021:

- Streaming service providers will be required to collect and remit RST on audio and video streaming services.
- Online marketplace vendors will be required to collect and remit RST on the sale of taxable goods sold by third parties on their online platforms, but the RST will not be included on second-hand sale sites.
- Online accommodation platforms will be required to collect and remit RST on the booking of taxable accommodations.

These changes are aligned with the trend toward taxing purchases from “digital giants” to help local businesses compete with foreign-based digital businesses.

Vehicle Registration Fees

As announced in the previous budget, the vehicle registration fees were reduced by 10% as of July 1, 2020. Budget 2021 proposes to reduce the vehicle registration fees by a further 10%, starting July 1, 2021. This reduction applies to non-commercial vehicles, including passenger vehicles, trucks, trailers, motorcycles/mopeds and off-road vehicles.

Other notable items

Education property tax rebate

The government will begin phasing out education property taxes by implementing the education property tax rebate. Owners of residential and farm properties will receive a 25% rebate of the school division special levy and the community revitalization levy payable in 2021. Another 25% rebate will be available in 2022 for a total of 50% over the next two years.

Owners of other properties will receive a 10% rebate of the total of both the school division special levy and the education support levy payable in 2021.

Health care

Budget 2021 allocates \$6.98 billion to health care, including

- \$1.2 billion for COVID-19 costs such as personal protective equipment (PPE), vaccine deployment, education supports and future needs;
- \$812 million capital confirmation for rural and northern health care;
- \$342 million for the new Department of Mental Health, Wellness and Recovery; and
- \$50 million to reduce wait times for certain procedures and surgeries.

Rent freeze

Residential rent increases will be capped at 1.6% this year, but the government plans to freeze the annual rent for 2022 and 2023. Property owners can still increase the rent if they have made improvements to the property.

Childcare

\$1.6 million in operating grants is being provided to support recently-opened childcare centres and 149 new spaces. Furthermore, childcare fees will be frozen for three years.