



TaxNewsFlash Canada

Highlights of the 2019 Manitoba Budget

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Manitoba's Finance Minister Scott Fielding delivered the province's 2019 budget on March 7, 2019. The budget anticipates deficits of \$470 million for 2018-2019 and \$360 million for 2019-2020. Although the budget does not include any new changes to the corporate or personal tax rates, it decreases Manitoba's retail sales tax rate to 7% (from 8%), effective July 1, 2019 and reduces the refundable portion of the Manufacturing Investment Tax Credit to 7% (from 8%), effective for qualifying property acquired after June 30, 2019, among other changes.

Corporate tax changes

Corporate income tax rates

The budget did not announce changes to the province's corporate tax rates. As a result, Manitoba's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2019		
	Manitoba	Combined Federal and Manitoba
General	12%	27%
M&P	12%	27%
Small business ¹	0%	9%

¹ On first \$500,000 of active business income.

Manufacturing Investment Tax Credit

The budget reduces the refundable portion of the Manufacturing Investment Tax Credit (MITC) to 7% (from 8%), effective for qualifying property acquired after June 30, 2019. Manitoba advises that this measure ensures alignment with the retail sales tax rate reduction. Corporations previously earned a 9% tax credit that was 8% refundable and 1% non-refundable (now an 8% tax credit with a 7% refundable portion and a 1% non-refundable portion) which can be applied against Manitoba corporate income tax payable in the year earned, with unused credits available for a 10-year carry-forward.

Film and Video Production Tax Credit

The budget makes permanent the Film and Video Production Tax Credit which was expected to expire on December 31, 2019.

Small Business Venture Capital Tax Credit

The budget extends the Small Business Venture Capital Tax Credit to December 31, 2022 (from December 31, 2019).

Cultural Industries Printing Tax Credit

The budget extends the Cultural Industries Printing Tax Credit to December 31, 2020 (from December 31, 2019), and caps the annual maximum tax credit claim at \$1.1 million per taxpayer, effective for qualified expenditures as of the 2019 tax year.

Book Publishing Tax Credit

The budget extends the Book Publishing Tax Credit to December 31, 2024 (from December 31, 2019).

Interactive Digital Media Tax Credit

The budget increases support for the Interactive Digital Media Tax Credit by \$400,000.

Personal tax changes

Personal income tax rates

The budget did not announce changes to personal tax rates. As a result, Manitoba's top marginal personal income tax rates effective January 1, 2019 are as follows:

Personal Combined Federal/Manitoba Top Marginal Rates	
	2019
Interest and regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.79%
Non-eligible dividends	46.67%

Indirect tax changes

Retail sales tax

The budget decreases Manitoba's general retail sales tax rate to 7% (from 8%), effective July 1, 2019. In addition, the budget decreases the existing reduced rate of sales tax charged on electricity used in manufacturing, mining and processing operations in Manitoba to 1.4% (from 1.6%).

In a separate information bulletin, Manitoba indicates that, effective July 1, 2019, it intends to:

- Decrease the sales tax rate on mobile, modular and ready-to-move homes to 4% (from 4.5%)
- Decrease the prorated vehicle tax rates.

Manitoba also released an information notice that announces retail sales tax rate transitional rules for:

- Taxable goods
- Taxable services
- Utilities (i.e., Telecommunication Services, Electricity and Natural Gas)
- Leased goods
- Insurance
- Real property contracts.

Carbon measures

The budget confirms that the federal carbon tax, which is scheduled to be levied on natural gas and coal beginning on April 1, 2019, will be exempt from Manitoba retail sales tax. This measure was originally announced on March 5, 2019.

The budget also allocates \$2.3 million for the new Climate and Green plan Implementation Office.

Expanded fuel tax exemption for the forestry industry

The budget expands the fuel tax exemption for the forestry industry to include mill site equipment used for log handling and processing, effective June 1, 2019.

Administrative tax changes

E-filing

The budget announces all businesses will be required to file, remit, and pay the Fuel Tax, Tobacco Tax, and Health and Post-Secondary Education Tax Levy electronically. In addition, the budget introduces changes to require larger businesses remitting or paying retail sales tax of \$5,000 or more per month to file, remit and pay electronically.

The budget announces that commissions will not be paid to any business filing monthly retail sales tax returns. According to Manitoba, this change will not affect businesses filing quarterly or annual returns under \$3,000 per filing period.

All these measures are effective for 2020.

Federal harmonization measures

The budget announces that Manitoba will amend its *Income Tax Act* in response to federal tax measures affecting private corporations and their shareholders. Specifically, Manitoba will make consequential amendments to parallel the Tax On Split Income (TOSI) rules, including for the purposes of various non-refundable tax credits. However, the budget advises that Manitoba will not harmonize with the TOSI rules related to various provincial refundable tax credits that would otherwise be impacted.

The budget also announces that Manitoba will make consequential amendments to its pension income amount provisions to include income security benefits received under the Veterans Well-being Act, to align with federal income tax rules amended in 2018.

Other changes

The budget announces additional changes to:

- *Small Business Venture Capital Tax Credit* — Expand the share issuance registration period for the Small Business Venture Capital Tax Credit to 12 months (from six months) and assign certain compliance authorities to Manitoba Finance
- *Employee Share Purchase Tax Credit* — Transfer legislative and program delivery authority for the Employee Share Purchase Tax Credit to Manitoba Growth, Enterprise and Trade (from Manitoba Finance) and assign certain compliance authorities to Manitoba Finance

- *Primary Caregiver Tax Credit* — Align the registration due date for the Primary Caregiver Tax Credit with the personal income tax return filing due date (e.g., at the end of April), rather than having the due date on December 31 of the previous year
- *Paid Work Experience Tax Credit* — Update the provision related to the Paid Work Experience Tax Credit to reflect current legislative requirements.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Manitoba budget on your personal finances or business affairs. We can also keep you abreast of the progress of these proposals as they make their way into law.

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