



# TaxNewsFlash

Canada

## Highlights of the 2021 Manitoba Budget

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Manitoba's Finance Minister Scott Fielding delivered the province's 2021 budget on April 7, 2021. The budget anticipates a deficit of \$2.1 billion for 2020-21 and projects deficits of \$1.6 billion for 2021-22 and \$374 million for 2022-23. Although the budget does not include any new changes to the corporate or personal tax rates, it provides property owners with a new Education Property Tax Rebate, requires online marketplaces, accommodation platforms, and streaming service providers to collect and remit retail sales tax (RST), and extends certain corporate tax credits, among other changes. The budget also announces that Manitoba intends to commence a tax competitiveness review, which will include public consultations.

### Corporate tax changes

#### *Corporate income tax rates*

The budget does 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, 2021		
	Manitoba	Combined Federal and Manitoba
General	12%	27%
M&P	12%	27%
Small business <sup>1</sup>	0%	9%

<sup>1</sup> On first \$500,000 of active business income.

### *Interactive Digital Media Tax Credit*

The budget expands the Interactive Digital Media Tax Credit to include new eligible activities, including add-on digital media and content that is complementary to the main product being developed. This tax credit provides interactive digital media companies with an up to 40% refundable credit on eligible project costs incurred to develop an interactive digital media product in Manitoba. Add-on digital media and content, for the purposes of this credit, includes:

- Downloadable content
- Ongoing maintenance and updates
- Data management and analysis.

These changes are effective as of the 2021 taxation year. The budget also makes this credit permanent (previously scheduled to expire on December 31, 2022).

### *Small Business Venture Capital Tax Credit*

The budget enhances the Small Business Venture Capital Tax Credit, which provides a non-refundable Manitoba tax credit of up to 45% to individuals and corporations who acquire equity capital in eligible Manitoba enterprises. Specifically, the budget increases the maximum eligible investment by an investor to \$500,000 (from \$450,000), effective as of the 2021 taxation year. The budget also increases the maximum tax credit claimable against Manitoba income tax in a given year to \$120,000 (from \$67,500).

### *Film and Video Production Tax Credit*

The budget suspends the 10% frequent filming bonus, which is part of the Film and Video Production Tax Credit, until March 31, 2022 due to the COVID-19 pandemic. This bonus is generally available to Manitoba producers that produce three or more productions in a two-year period. Companies eligible for the bonus on March 31, 2020 will keep their status until the frequent filming bonus resumes.

### *Tax credit extensions*

The budget extends certain corporate tax credits. Specifically, the budget:

- Makes the Book Publishing Tax Credit permanent (previously scheduled to expire on December 31, 2024)
- Extends the Cultural Industries Printing Tax Credit to December 31, 2022 (from December 31, 2021)
- Extends the Community Enterprise Development Tax Credit to December 31, 2022 (from December 31, 2021).

## Personal tax changes

### Personal income tax rates

The budget does not announce changes to personal tax rates. As a result, Manitoba's personal income tax rates effective January 1, 2021 are as follows:

Personal Combined Federal/Manitoba Top Marginal Rates	
	2021
Interest and regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.79%
Non-eligible dividends	46.67%

### New Teaching Expense Tax Credit

The budget introduces a new 15% refundable tax credit for educators' eligible teaching supplies that are not reimbursed by their employer. This tax credit is available for up to \$1,000 in supplies (\$150 maximum refund) and parallels the eligibility criteria of the existing federal Eligible Educator School Supply Tax Credit. This credit is effective as of the 2021 taxation year.

## Indirect tax changes

### Health and Post-Secondary Education Tax Levy

The budget effectively reduces, for certain employers, the province's Health and Post-Secondary Education Tax Levy, which is imposed on wages paid by employers with a permanent establishment in Manitoba (i.e., payroll tax), by increasing payroll tax thresholds. This measure is effective as of January 1, 2022. Specifically, the budget:

- Increases the exemption threshold for a business's annual payroll to \$1.75 million (from \$1.5 million)
- Increases the annual payroll range subject to the 4.3% tax rate to payroll between \$1.75 million and \$3.5 million (from \$1.5 million – \$3 million)
- Increases the annual payroll threshold to over \$3.5 million (from over \$3 million) where 2.15% tax is applicable on total payroll (i.e., no exemption applicable).

### Removal of RST on personal care services

The budget introduces a new RST exemption on certain personal services, effective December 1, 2021. Qualifying personal services include:

- Hair services

- Non-medical skin care and aesthetician services
- Body modifications and spa services.

The budget notes that RST still applies to tanning services provided by a device that uses ultraviolet radiation.

#### *Streaming services*

The budget requires audio and video streaming service providers to collect and remit RST, effective December 1, 2021.

#### *Online marketplaces and accommodation platforms*

The budget requires online marketplaces to collect and remit RST on the sale of taxable goods sold by third parties on their electronic platforms. The budget also requires online accommodation platforms to collect and remit RST on the booking of taxable accommodations in Manitoba.

Manitoba is expected to provide more details on these measures, which take effect on December 1, 2021.

#### **Other tax measures**

##### *Education Property Tax Rebate*

The budget provides property owners with a new Education Property Tax Rebate to help offset education property taxes. This rebate, which is part of the province's plan to phase out the education property taxes, provides the following rebates to property owners in 2021:

- Residential and farm property owners — 25% rebate of the school division special levy and the community revitalization levy payable
- Other property owners (e.g., commercial, industrial, railway, institutional, pipelines and designated recreational) — 10% rebate of the total of both the school division special levy and the education support levy payable.

Existing education property tax offsets will be proportionately reduced by 25% in 2021.

#### **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, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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