



TaxNewsFlash

Canada

Highlights of the 2021 Saskatchewan Budget

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Saskatchewan's Finance Minister Donna Harpauer delivered the province's 2021 budget on April 6, 2021. The budget anticipates a deficit of \$1.9 billion for 2020-21 and projects deficits of \$2.6 billion for 2021-22 and \$1.7 billion for 2022-23. Although the budget does not include any new changes to the corporate or personal tax rates, it extends the Saskatchewan Technology Start-up Incentive for five years and introduces a new 20% Vapour Products Tax (VPT), among other changes.

Corporate tax changes

Corporate income tax rates

The budget does not announce changes to the province's corporate tax rates. Note that Saskatchewan temporarily decreased the small business tax rate to 0% effective October 1, 2020 (see *TaxNewsNow*, "[Saskatchewan — Small Business Tax Rate Set to Temporarily Drop?](#)"). As a result, Saskatchewan's corporate income tax rates are scheduled to remain as follows:

Saskatchewan Corporate Income Tax Rates			
	2021	2022	2023
General	12%	12%	12%
M&P	10%	10%	10%
Small business ¹	0%	0%/1% ²	1%/2% ³

¹ On first \$600,000 of active business income.

² Saskatchewan's small business tax rate is scheduled to increase to 1% on July 1, 2022.

³ Saskatchewan's small business tax rate is scheduled to increase to 2% on July 1, 2023.

In addition, the combined Saskatchewan and federal corporate income tax rates are scheduled to remain as follows:

Combined Federal and Saskatchewan Corporate Income Tax Rates				
		2021	2022	2023
General		27%	27%	27%
M&P		25%	25%	25%
Small business	First \$500,000 of active business income	9%	9%/10% ¹	10%/11% ²
	\$500,001 to \$600,000 of active business income	15%	15/16% ¹	16/17% ²

¹ Saskatchewan's small business tax rate is scheduled to increase to 1% on July 1, 2022.

² Saskatchewan's small business tax rate is scheduled to increase to 2% on July 1, 2023.

Saskatchewan Technology Start-up Incentive

The budget extends the Saskatchewan Technology Start-up Incentive through to 2025-26. This program offers a non-refundable 45% tax credit to individual, corporate or venture capital corporation investments in Eligible Start-up Businesses (ESBs) that are developing new technologies, or applying existing technologies in a new way, to create qualifying new proprietary products, services or processes. In addition, the budget adjusts the incentive to:

- Increase the amount that an ESB can raise under the program to \$2 million (from \$1 million)
- Increase the carry-forward period to claim unused tax credits to seven years (from four years)
- Annually cap the maximum value of tax credits that can be issued at \$2.5 million per year.

Personal tax changes

Personal income tax rates

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

Personal Combined Federal/Saskatchewan Top Marginal Rates	
	2021
Interest and regular income	47.50%
Capital gains	23.75%
Eligible dividends	29.64%
Non-eligible dividends ¹	42.29%

¹ The top marginal tax rate on non-eligible dividends is scheduled to decrease to 41.82% for 2022, 40.86% for 2023 and 40.37% for 2024.

Other recently announced tax changes

The budget confirms that Saskatchewan intends to proceed with a 10.5% non-refundable new home renovation tax credit and to restart the income-tested refundable Active Families Benefit tax credit. For details, see *TaxNewsNow*, "[Saskatchewan — Small Business Tax Rate Set to Temporarily Drop?](#)".

Indirect tax changes

Vapour Products Tax

The budget introduces a new Vapour Products Tax (VPT). This 20% tax applies on the retail price of all vapour liquids, products and devices, effective September 1, 2021. Retailers selling vapour products will also be required to obtain a VPT license and to submit a VPT return.

Taxation of Heat-Not-Burn Tobacco Products

The budget adds heat-not-burn (HNB) tobacco sticks as a separate category under the Tobacco Tax Act. These products will be taxed at a rate of approximately 75% of the tax rate on tobacco cigarettes, effective June 1, 2021. The HNB tax rate will be 20.5¢ per stick, based on the current tax rate on cigarettes of 27.0¢ per stick.

Taxation of electric vehicles

The budget introduces a new \$150 annual tax for each passenger electric vehicle (EV) registered in Saskatchewan, effective October 1, 2021. Saskatchewan Government Insurance will collect the tax when the EV is registered.

The budget notes that Saskatchewan will continue to examine the future potential for expanding the tax to commercial vehicles and interjurisdictional trucking. Saskatchewan will also consider options to apply a tax at charging stations.

Other tax measures

Education property tax

The budget changes the mill rates for the 2021 Education Property Tax for certain property classes as follows:

- Agricultural — 1.36 (from 1.43)
- Residential — 4.46 (from 4.12)
- Commercial/industrial — 6.75 (from 6.27)

- Resource — 9.79 (from 9.68).

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Saskatchewan 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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