



TaxNewsFlash

Canada

Highlights of the 2022 Manitoba Budget

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Manitoba's Finance Minister Cameron Friesen delivered the province's 2022 budget on April 12, 2022. The budget anticipates a deficit of \$1.4 billion for 2021-22 and projects deficits of \$548 million for 2022-23 and \$440 million for 2023-24. Although the budget does not announce any changes to the corporate or personal tax rates, it adjusts the Education Property Tax Rebate for property owners, introduces a new Residential Renters Tax Credit, and extends certain corporate tax credits, among other changes.

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, 2022		
	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.

Small Business Venture Capital Tax Credit

The budget enhances the Small Business Venture Capital Tax Credit to support corporations and individuals participating in venture capital funds. The budget also makes

this credit permanent (previously scheduled to expire on December 31, 2022). The budget did not provide additional details.

Community Enterprise Development Tax Credit

The budget makes the Community Enterprise Development Tax Credit, which is available to corporations and individuals, permanent (previously scheduled to expire on December 31, 2022).

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, 2022 are as follows:

Personal Combined Federal/Manitoba Top Marginal Rates	
	2022
Interest and regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.79%
Non-eligible dividends	46.67%

Residential Renters Tax Credit

The budget introduces a new Residential Renters Tax Credit, which replaces the renters component of the Education Property Tax Credit, to provide an annual credit of up to \$525 to renters of residential properties. The budget also expands the eligibility for this credit in certain circumstances. This credit is calculated based on the number of months spent renting in a given year (i.e., monthly amounts of \$43.75) and will not be income tested.

Indirect tax measures

Health and Post-Secondary Education Tax Levy

The budget effectively reduces the province's Health and Post-Secondary Education Tax Levy for certain employers, 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, 2023. Specifically, the budget:

- Increases the exemption threshold for a business's annual payroll to \$2 million (from \$1.75 million)
- Increases the annual payroll threshold below which employers pay a reduced rate to \$4 million (from \$3.5 million).

Fuel tax exemption for peat harvesting equipment

The budget exempts fuel used in off-road operation of peat harvesting equipment from Manitoba's fuel tax, effective May 1, 2022.

Other tax measures

Education Property Tax Rebate

The budget increases the Education Property Tax Rebate for residential and farm property owners to 37.5% in 2022 (from 25%) of the school division special levy and the community revitalization levy payable. The budget further increases the rebate to 50% in 2023. This rebate is part of the province's plan to phase out the education property taxes.

Existing education property tax offsets will be proportionately adjusted in 2022 and 2023.

Other technical changes

The budget also announces certain administrative changes to:

- Research and Development Tax Credit — Extend filing deadlines to align with other federal deadline extensions in response to COVID-19 (which have already passed)
- Film and Video Production Tax Credit — Make minor changes to confirm that film producers can get advance credits before a film is completed, provided that proper documentation is submitted
- Tax on split income (TOSI) — Make a minor change to the rules to eliminate potential confusion regarding how federal TOSI provisions apply to individuals in Manitoba
- Statutory limitations — Establish a statute of limitations on audits and requests for change by taxpayers on taxes collected and administered by Manitoba
- Tax credit validation — Announce an extended service agreement between the province and the CRA to further validate Manitoba tax credits.

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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