



TaxNewsFlash Canada

Highlights of the 2016 Manitoba Budget

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Manitoba Finance Minister Cameron Friesen delivered the province's 2016 budget on May 31, 2016. The budget anticipates a deficit of \$911 million for the 2016-2017 fiscal year. The budget indexes personal income tax brackets and the basic personal amount to inflation and extends the Small Business Venture Capital Tax Credit to 2019, among other changes. The budget also announces a review of the province's personal and business tax credit system.

Highlights of tax measures announced in the budget are summarized below.

Personal tax measures

Personal income tax rates

The budget does not make any changes to the province's personal tax rates. As a result, Manitoba's combined federal and provincial top marginal rates for income, capital gains and dividends remain as follows:

Personal Combined Federal/Provincial Top Marginal Rates	
	2016
Interest and regular income	50.40%
Capital gains	25.20%
Eligible dividends	37.78%
Non-eligible dividends	45.69%

Indexing Personal Income Tax Brackets

The budget increases the Manitoba tax brackets in 2017 so that they are indexed for inflation. The brackets will also be indexed in subsequent years.

Indexing the Basic Personal Amount

The budget increases the Manitoba Basic Personal Amount in 2017 so that it is indexed for inflation. Like the tax brackets, this amount will continue to be indexed in subsequent years.

Seniors' School Tax Rebate

The budget announces that Manitoba will gradually reduce the amounts available under the Seniors' School Tax Rebate for senior households with a family net income of more than \$40,000. The budget reduces the rebate by 2% of net family income over \$40,000 and will no longer be available to senior households with a family net income of \$63,500.

Corporate tax measures

Corporate income tax rates

No changes to corporate taxes were announced. As a result, Manitoba's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2016		
	Manitoba	Combined Federal and Manitoba
General	12%	27%
M&P	12%	27%
Small business ¹	0%	10.5%

¹ On first \$450,000 of active business income (Manitoba previously announced it would increase the small business threshold to \$500,000 in 2017).

Small Business Venture Capital Tax Credit

The budget extends the Small Business Venture Capital Tax Credit three years to the end of 2019. Previously, this credit was scheduled to expire December 31, 2016. Manitoba also says it will review the credit program parameters to improve accessibility for Manitoba companies.

Interactive Digital Media Tax Credit

The budget announces that Manitoba will review its Interactive Digital Media Tax Credit to consider the eligibility criteria, including for larger digital media companies who establish a significant job-creating presence in Manitoba. Currently, this refundable corporation income

tax credit is targeted at companies that develop and produce eligible interactive digital media projects in Manitoba. The credit is equal to 40% of the remuneration paid to Manitobans on approved projects.

Green Energy Equipment Tax Credit

The budget expands the eligibility for the Green Energy Equipment Tax Credit to include gasification equipment and equipment for co-generation of energy using biomass fuel. As a result, gasification and biomass fuel energy equipment installed in Manitoba and used in a business will be eligible for a 15% credit.

Currently, this refundable tax credit is targeted at the production and purchase of machinery and equipment used to generate renewable energy in Manitoba. Geothermal heating equipment is eligible for up to a 15% credit and solar thermal heating equipment is eligible for a 10% credit.

Sales tax measures

Vendor registration

The budget provides that out-of-province businesses that hold an inventory of taxable goods in Manitoba that are for sale to Manitoba customers must register to collect and remit retail sales tax. This measure is effective June 1, 2016.

Other measures

Enhanced enforcement and administration

The budget announces that Manitoba will enhance enforcement and administration measures under the *Tax Administration and Miscellaneous Taxes Act* and the *Retail Sales Tax Act*.

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 take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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