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Tax Alert – Canada

Manitoba budget 2023-24

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“From historic investments to help better serve seniors, singles and families to historic tax changes that will help Manitobans make ends meet, this budget is about doing everything possible for Manitobans at a time when they need it most.”

*Manitoba Finance Minister Cliff Cullen
2023-24 budget speech*

On 7 March 2023, Manitoba Finance Minister Cliff Cullen tabled the province's fiscal 2023-24 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates deficits of \$378 million and \$363 million for 2022-23 and 2023-24, respectively, and projects deficits for each of the next three years.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

Manitoba's 2023 corporate income tax rates are summarized in Table A.

Table A - 2023 Manitoba corporate income tax rates¹

	Manitoba	Federal and Manitoba combined
Small-business tax rate ²	0.00%	9.00%
General corporate tax rate ^{2, 3}	12.00%	27.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² The corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% small-business corporate income tax rate.

³ An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members), effective for taxation years ending after 7 April 2022 (prorated for taxation years straddling this effective date).

Other business tax measures

The minister also proposed changes to the following tax credits:

- ▶ The Mineral Exploration Tax Credit, previously set to expire on 31 December 2023, has been made permanent;
- ▶ The Green Energy Equipment Tax Credit, previously set to expire on 30 June 2023, has been made permanent; and
- ▶ Effective 1 April 2023, eligible labour expenditures for the Interactive Digital Media Tax Credit have been expanded to allow for more forms of employee compensation and incentives.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates; however, the budget does include changes to the tax bracket thresholds. Manitoba's tax bracket thresholds will increase to \$47,000 and \$100,000 effective for the 2024 tax year, with a return to annual indexing in 2025.

The 2023 and 2024 Manitoba personal income tax rates are summarized in Table B.

Table B - 2023 and 2024 Manitoba personal income tax rates

2023			2024		
First bracket rate	Second bracket rate	Third bracket rate	First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$36,842	\$36,843 to \$79,625	Above \$79,625	\$0 to \$47,000	\$47,001 to \$100,000	Above \$100,000
10.80%	12.75%	17.40%	10.80%	12.75%	17.40%

For taxable income in excess of \$106,717, the 2023 combined federal-Manitoba personal income tax rates are outlined in Table C.

Table C - Combined 2023 federal and Manitoba personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$106,718 to \$165,430	43.40%	28.12%	38.62%
\$165,431 to \$235,675 ²	46.72%	32.70%	42.44%
Above \$235,675	50.40%	37.78%	46.67%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$13,521 for 2023) and an additional amount (\$1,479 for 2023). The additional amount is reduced for individuals with net income in excess of \$165,430 and is fully eliminated for individuals with net income in excess of \$235,675. Consequently, the additional amount is clawed back on net income in excess of \$165,430 until the additional tax credit of \$222 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$165,431 and \$235,675.

Personal tax credits

The budget proposes to increase the basic personal amount from \$10,855 to \$15,000 for 2023.

Other tax measures

Health and Post-Secondary Education Tax Levy

- ▶ Effective 1 January 2024, the exemption threshold for the Health and Post-Secondary Education Tax Levy is increased from \$2 million to \$2.25 million of annual remuneration. In addition, the threshold below which employers pay a reduced effective rate is increased from \$4 million to \$4.5 million.

Property tax

- ▶ As previously announced, the Education Property Tax Rebate will increase from 37.5% to 50% for 2023 for residential and farm properties, saving the average homeowner \$774 in 2023.

Administrative tax measures

- ▶ **Mineral Exploration Tax Credit** - Amendments will be made to the Manitoba *Income Tax Act* to align with changes made to the federal *Income Tax Act* to ensure critical mineral exploration expenses continue to be eligible for the Mineral Exploration Tax Credit.
- ▶ **Provincial administered tax refunds** - Alignment of the tax refund limit period with the audit period for provincially administered taxes for tax audits that result in a refund.

Learn more

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