



2013 Budget Measures That May Affect Your Business

IN THIS ISSUE

Budget Details

British Columbia

Alberta

Saskatchewan

Manitoba

Quebec

New Brunswick

Nova Scotia

Prince Edward Island

Newfoundland and Labrador

The Territories (NU, NWT, YK)

Ontario

As of the date of this writing, all of the 2013-2014 Budgets (federal and provincial) have been presented, with the exception of Ontario's. The budgets that have been presented for the most part have made few tax changes with most governments concentrating instead on program stimulation and adjusting legislation to eliminate tax loopholes and tax evasion. The federal government is particularly looking at reducing tax evasion and bringing in lost tax revenue, through the establishment of an incentive payment to those who turn in their tax-evading neighbors. Most of the tax changes at all levels have been administrative in nature with the main focus of most budgets being on taming their respective deficits.

Federal

The federal Budget was delivered on March 21, 2013. There were no announcement of any tax rate changes at the personal and corporate levels, the government concentrating instead on stimulating certain sectors and taking away from others, closing tax loopholes, and finding tax evaders. The changes that are expected to generate the most

revenue have to do with the changes made to the dividend tax credit and to tariff changes on certain goods.

Some of the major corporate tax changes that are proposed are listed below.

- Tax relief in the amount of \$1.4 billion will be provided to Canada's manufacturing sector through a two-year extension to the temporary accelerated capital cost allowance for machinery and equipment.
- Eligibility for the accelerated capital cost allowance for clean energy generation equipment will be expanded to include a broader range of biogas production equipment and equipment used to treat gases from waste.
- The accelerated capital cost allowance for certain assets acquired for use in new mines or eligible mine expansions will be phased out.
- The deductibility of pre-production mine expenses will be changed to be deductible at a 30% declining balance basis as opposed to a 100% write-off in the year of expense.
- Research and development claims will be more closely scrutinized and penalties invoked for late filing and incomplete filing of required schedules.
- Companies that have reclamation obligations will no longer be allowed to claim a paragraph 20(1)(m) reserve up until the reclamation is carried out.
- The additional tax deduction allowed to credit unions will be phased out.
- Tax benefits that are derived from leveraged insured annuities will be eliminated.
- Tax benefits that are derived from leveraged life insurance products known as 10/8 arrangements will be eliminated.
- The restricted farm loss rules will be clarified to ensure that the deductibility of

farm losses against other sources of income are only fully deductible in instances where those sources of income are subordinate to farming.

- The corporate anti-loss trading rules will be changed to address planning that avoids those rules.
- Changes will be made to ensure that the tax consequences of disposing of property cannot be avoided through a series of transactions which are designed to dispose of property yet retain legal ownership.

The Budget also introduces new measures to deal with international tax evasion and enhances or reduces tariffs on certain goods.

British Columbia

The 2013 British Columbia Budget was tabled on February 19, 2013. The Budget proposed the following.

- The increase of the general corporate income tax rate to 11% (from 10%) that was announced as a provisional measure in Budget 2012, effective April 1, 2014, will now be accelerated to a new effective date of April 1, 2013.
- A carbon tax relief grant will be provided for commercial greenhouse vegetable and floriculture growers.
- New rates for tobacco and tobacco products will be implemented so that overall taxes will remain the same now that the HST has been removed.
- A new measure to include a 3% minimum royalty for all natural gas wells that qualify for the Deep Well Royalty Credit Program will be implemented.
- The Summer Drilling Credit Program will be terminated.

Alberta

The 2013 Alberta Budget was tabled on March 7, 2013. The Budget contained no income tax changes. It did however propose, that the Alberta Farm Fuel Distribution Allowance portion of the Alberta Farm Fuel Benefit program no longer be funded, effective March 7, 2013.

Saskatchewan

The 2013-2014 Saskatchewan Budget was presented on March 20, 2013. The Budget included the following provisions.

- Effective April 1, 2013, the Saskatchewan Resource Credit will be reduced by 0.25%.
- The government in 2013 will introduce legislation to make Pooled Registered Pension Plans available to all Saskatchewan employees and the self-employed.
- The general corporate income tax rate will be reduced from 12% to 10%, though this reduction is deferred until such time as the government

believes its implementation to be viable.

- The uranium royalty regime will be modernized in order to encourage increased investment in northern Saskatchewan.
- Tax on tobacco products and alcoholic beverage products were also to be increased.

Manitoba

Manitoba's 2013 Budget was presented on April 16, 2013. The budget contained the following items of interest.

- A 1% increase will be made to the provincial retail sales tax rate, from 7% to 8%.
- The income threshold for Manitoba's 0% small business corporate income tax rate will be increased from \$400,000 to \$425,000 on January 1, 2014.
- An 8% tax credit will be implemented on the capital cost of new rental housing in Manitoba.
- The data processing investment tax credit rate will increase from 7% to 8% for machinery and equipment, and from 4% to 4.5% for buildings.
- The manufacturing investment tax credit, which is currently 70% refundable and 30% non-refundable, will be increased to 80% refundable on qualifying property acquired after June 30, 2013.
- The odour-control tax credit for agricultural producers will be made fully refundable for qualifying property acquired after 2012.
- The interactive digital media tax credit, which was scheduled to expire on December 31, 2013, will be extended until December 31, 2016.
- The film and video production tax credit, which was scheduled to expire on March 1, 2014, will be extended until December 31, 2016.
- The small business venture capital tax credit, which was scheduled to expire on December 31, 2013, will be extended until December 31, 2016.
- The research and development tax credit will be adjusted so that capital expenditures will remain eligible for the provincial credit when they are removed from the federal base.
- The corporation capital tax rate for financial institutions will increase from 4% to 5% for fiscal years ending after April 16, 2013.

Quebec

The Quebec 2013 -2014 Budget was introduced on November 21, 2012. It contained the following provisions.

- The new Voluntary Retirement Savings Plan, which was announced in the spring 2012 Budget, would

not be introduced at this time. A plan may be introduced later after further consultation.

- The deduction of a corporation's contributions to the Health Services Fund for employees over age 65 will not be implemented at this time as previously announced.
- The tax credit for investing in manufacturing and processing equipment will be extended in some situations and improved in certain regions.
- The refundable tax credit for research and development salaries in the biopharmaceutical industry will be increased for larger corporations from 17.5% to 27.5%.
- The temporary compensation tax for financial institutions will be increased and extended.
- The taxation of refundable tax credits will be standardized.
- Taxes will be increased on tobacco and alcoholic beverage products.

New Brunswick

The New Brunswick Budget was delivered on March 28, 2013. The Province announced that it would increase the financial corporation capital tax to 4% from the current 3%.

The province announced that a royalty system will be developed that will eventually see the government receive its fair share of profits from the development of natural resources and that the Dividend Tax Credit (for dividends from corporations subject to the general corporate income tax rate) will be reviewed.

Nova Scotia

The Nova Scotia Budget was delivered on April 3, 2012, and for the third straight year it announced that it will reduce the small business tax rate. The rate will drop on January 1, 2013 from 4% to 3.5% for eligible small businesses and will apply to the first \$400,000 of taxable income. It also announced that it will reduce the general Harmonized Sales Tax rate from 15% to 14% effective for 2014 and a further 1% to 13% in 2015.

The large corporations tax on capital will be eliminated effective July 1, 2012 consistent with the schedule previously announced in the 2006-2007 Budget.

Prince Edward Island

Prince Edward Island's 2013-2014 Budget was presented on March 27, 2013, and contained the following measures of interest.

- The small business corporate income tax rate will increase from 1% to 4.5% on April 1, 2013.
- The Dividend Tax Credit rate will be adjusted as a result of the change in the small business rate, although no further details were provided.

Newfoundland and Labrador

Newfoundland and Labrador's 2013 Budget was presented on March 26, 2013, and contained the following items of interest.

- The only income tax change was an increase in the maximum Film and Video Industry Tax Credit from \$3 million per corporation or associated group of corporations to \$4 million.
- The Budget introduced a number of new fees for government services including a new \$50 fee for obtaining a tax clearance certificate.

Northwest Territories

The Northwest Territories Budget was presented on February 7, 2013, and contained no new tax measures.

Nunavut

The Nunavut Budget was presented on February 27, 2013, and contained no new tax measures.

Yukon

The Yukon Budget was presented on March 21, 2013, and contained no new tax measures.

Ontario

As of the date of the composition of this article, Ontario had yet to present its 2013-2014 Budget, which is scheduled to be presented on May 2, 2013.