

## Tax highlights from the 2012 Saskatchewan budget

Finance Minister Ken Krawetz tabled the 2012 Saskatchewan provincial budget on March 21, 2012. This is the fifth budget of the Saskatchewan Party government, and unlike other provinces and the federal government, it projects a small surplus of \$14.8 million for the 2012-2013 fiscal year. Revenue is projected to increase by 4.5% to \$11.3 billion while spending is projected to increase by 4.7% to \$11.2 billion.

On the tax side, there were no changes to personal or corporate tax rates, but there were changes to various tax credits and benefits.

The following pages are a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

## PERSONAL TAX MATTERS

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### Personal income tax rates

There are no changes to Saskatchewan's personal income tax rates for 2012, which are shown in the table below, although the tax brackets have been indexed by 2.8% to reflect the effect of inflation.

Taxable income range	2012 tax rates
\$14,943 - \$42,065	11%
\$42,066 - \$120,185	13%
\$120,186 and over	15%

### First-time homebuyers' tax credit

The budget proposes a non-refundable tax credit that can be used to reduce provincial tax otherwise payable, effective for purchases of homes that have a closing date on or after January 1, 2012. The credit will be based on the first \$10,000 of a qualifying home purchase and has a maximum value of \$1,100. There will be no carry forward of unused amounts, but any unused portion may be claimed by the individual's spouse or common-law partner. Qualification for the credit will be identical to the rules that apply for the purposes of the federal homebuyers' tax credit, including those that apply to individuals who qualify for the disability tax credit.

### Active families benefit

The active families benefit provides a refundable tax credit of up to \$150 per eligible child to assist families with the cost of registering children in cultural, recreational, or sports programs. This tax credit covers eligible registration fees for children between the ages of six and 14. The budget proposes to expand eligibility to all children under the age of 18.

## Graduate retention program

The graduate retention program provides a refundable tax credit of up to \$20,000 over seven years for post-secondary graduates who remain in the province. The budget proposes to convert this credit into a non-refundable tax credit. Graduates with sufficient provincial income tax payable will continue to receive the rebate as a reduction of taxes payable. To protect individuals with insufficient provincial tax payable, the government will provide a new refundable tax credit equal to the unused portion of the non-refundable tax credit.

## CORPORATE TAX MATTERS

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### Corporate income tax rates

There were no changes proposed to any corporate tax rates. The table below shows Saskatchewan tax rates and the small business limit for 2012.

Category	2012 tax rates
General rate	12%
Manufacturing & processing rate	10%
Small business rate	2%
Small business limit	\$500,000

### Corporation income tax rebate on new rental housing

The budget proposes a 10% reduction in the general corporate income tax rate levied on rental income earned from newly constructed qualifying multi-unit residential projects. This tax rebate will be earned for a period of up to 10 consecutive years after the project becomes available for rent.

All corporations that are solely engaged in the construction and rental of eligible new rental housing in Saskatchewan and that have a permanent establishment in Saskatchewan can qualify.

While rental income qualifies for the tax rate reduction, income from the disposition of these properties, such as recaptured depreciation and capital gains, is specifically excluded. Small business corporations will be permitted to claim the tax rebate on rental income which does not qualify for the low 2% small business tax rate.

New rental housing registered under a building permit issued on or after March 21, 2012 and before January 1, 2014 can be eligible. A maximum of 10,000 rental units will qualify for the tax rebate, and eligible units must be available for rent before December 31, 2016.

The process will require the normal filing of a corporate income tax return and payment of tax with the Canada Revenue Agency. Once the notice of assessment is received, a copy of it, as well as an application for the tax rebate, must be filed with the Saskatchewan Ministry of Finance. This process will be required for each of the 10 years in the rebate period.

### Research and development tax credit

The budget proposes making changes to the current 15% refundable corporate income tax credit for research and development (R&D). The proposed changes would be effective for qualifying R&D expenditures incurred on or after April 1, 2012. The 15% R&D tax credit will continue to be refundable for Canadian-controlled private corporations, subject to a maximum annual limit of \$3 million of qualifying expenditures. Qualifying expenditures in excess of this

amount, as well as qualifying expenditures by other corporations will now be eligible for a 15% non-refundable tax credit. Non-refundable credits that cannot be used against Saskatchewan tax otherwise payable may be carried forward for up to 10 years or may be carried back to the three previous years.

### **Film employment tax credit**

The film employment tax credit is being eliminated for any new productions. Film productions that are registered with SaskFilm prior to April 1, 2012 will continue to be eligible for the tax credit.

## **OTHER PROPOSALS**

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### **Provincial sales tax**

As previously announced in November 2011, the sales tax exemption for children's clothing was extended to all children under the age of 18.

### **Saskatchewan advantage grant for education savings**

The budget proposes this new grant program that will come into effect on January 1, 2013. Similar to the existing federal Canada Education Savings Grant (CESG) program, this new program will provide a 10% matching grant to Registered Education Savings Plan (RESP) contributions, to a maximum of \$250 per child per year.

### **Saskatchewan advantage scholarship program**

As previously announced in November 2011, the budget proposes this new scholarship program that will provide every high school graduate in 2012 and subsequent years with up to \$500 per year to a maximum of \$2,000 per individual, to be applied toward tuition fees at any post-secondary institution or recognized training course in the province.

### **Student loans**

As previously announced, a portion of Saskatchewan student loans for new doctors, nurses and nurse practitioners who practice in under-served rural and remote communities for five years will be forgiven. The amount will be up to \$120,000 for doctors and up to \$20,000 for nurses and nurse practitioners.

### **Seniors income plan**

The budget proposes to increase funding to the seniors income plan. Effective July 1, 2012, benefits will increase by \$50 per month, followed by increases of \$10 per month in each of the next three years.

### **Seniors personal care home benefit**

The budget proposes this new benefit to provide financial assistance to those who need help with the cost of living in a licensed personal care home. The monthly supplement will be the difference between the senior's income and \$1,800. The proposed benefit of \$278 per month will rise to \$369 per month by the fourth year.

### **Prescription drug plan**

The cap on prescription drug fees will be increased from \$15 to \$20. This is the first increase in this amount since 2007.

### **Senior citizen's ambulance assistance program**

Effective April 1, 2012, the deductible under this program will increase by \$25, from \$250 to \$275. This is the first increase in the deductible for this plan since 1992-1993.

## Saskatchewan assured income for disability

The budget proposes to expand the number of adult clients in this program from 3,000 to 10,000 and to increase benefits under this program.

- Individuals in residential care settings will receive an additional \$40 per month beginning in July 2012, increasing to \$100 per month over four years.
- Single individuals living independently will receive an increase of \$200 per month beginning in July 2012, increasing to \$350 per month over four years.
- Couples living independently will receive an increase of \$230 per month beginning in July 2012, increasing to \$400 per month over four years.

## Invest in Saskatchewan program

This program provides a tax incentive for individuals to invest in labour-sponsored venture capital corporations (LSVCCs). It is estimated that the program will cost the provincial treasury \$17 million in 2012 and the government indicated that it intends to examine the program over the next year to ensure that it is effectively meeting the original program intent.

## WE CAN HELP

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Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs, and show you ways to take advantage of their benefits or ease their impact. Among the tools at their disposal to assist you, your advisor can access United Financial's Wealth Planning Group, a multi-disciplinary group of accountants, lawyers, and financial planners, who are available to assist them in serving your needs.

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