



PROVINCIAL SALES TAX CHANGES:

- Increase in rate from 5% to 6% effective 12:00am March 23rd, 2017 – transitional rules available on Sask Finance website
- Expanding items subject to PST to include:
 - Restaurant meals/snack foods – basic groceries are still exempt but restaurant meals, carbonated beverages, “ready to eat” food and beverages, snack food and “single serving” sales of beverages, ice cream, pudding and sweet baked goods are all taxable. Effective April 1st, 2017.
 - Construction services (build, repair, remodel, improve, etc) for real property become taxable. Contractors building new residential or commercial buildings for resale must collect PST (not including land value). Contractors will no longer pay PST on materials for jobs, but instead collect on the entire job cost. Subcontractors will not have to charge PST to contractors who themselves are charging the PST on the full contract. Effective April 1st, 2017.
 - All sizes and types of children’s clothing are subject to PST. Effective April 1st, 2017.
 - All insurance premiums (appears to include automobile, crop, disability, fire, hail, life, property, public liability, theft, and weather and potentially others) are subject to PST for persons/business resident in Saskatchewan and property located in Saskatchewan. Effective for premiums due on or after July 1st, 2017.
 - Removed PST exemption for Permanently Mounted Equipment in oil/gas/potash exploration and development and reduction of PST on new vehicle purchase for trade-in value. Both effective April 1, 2017.
 - Effective April 1, 2017 there will no longer be commissions given to businesses for collecting PST on behalf of the Saskatchewan government.

BUSINESS TAX CHANGES:

- **Corporate Income Tax rate reduction**
The budget will reduce the general corporate income tax rate by 0.5% effective July 1, 2017 and another 0.5% effective July 1, 2019. This would leave the general corporate income tax rate at 11% on most income and potentially 9% on manufacturing and processing income.
- **Research and Development Tax Credit refundable again in some situations, capped at \$1M**
The current Scientific Research and Experimental Development tax credit in Saskatchewan is a 10%, non-refundable credit. The budget proposes to allow qualifying companies to generate refundable tax credits on up to \$1M of expenditures at that 10% rate, with additional expenditures still generating the non-refundable credits – to a combined maximum of \$1M of tax credits per year.



- **Saskatchewan Commercial Innovation Incentive to reduce corporate tax rates**
The budget introduces this new program to the corporate income tax rate to 6% on income earned from commercialization of qualifying intellectual property. This reduced tax rate would be eligible for 10 years for a broad range of IP, or 15 years if that IP had been “substantially developed” in Saskatchewan. Companies will be required to meet eligibility criteria to access the lower tax rate.
- **Credit Unions lose special tax reduction**
Starting in 2017, Credit Unions will lose the ability to tax a portion of their income at a lower corporate income tax rate over the next four years.

PERSONAL TAX CHANGES:

- **Personal tax rate reduction**
The budget announced a 0.5% reduction in all Saskatchewan personal income tax rates effective July 1, 2017, and another 0.5% reduction effective July 1, 2019. This makes the highest Saskatchewan personal income tax rate 14.5% on income over \$129,214 for the second half of 2017.
- **Increase in eligible dividend tax rate**
The dividend tax credit on eligible dividends will be reduced by 0.25% in each of 2017 – 2020, effectively increasing the personal tax rate paid on those dividends.
- **Eliminating Education credits, Employee’s Tools Tax credit**
Effective July 1, 2017, the education and tuition tax credit will be eliminated. It is unclear if this is meant to mirror the federal government’s removal of the education and textbooks tax credit, or if it actually means tuition costs as well. Individuals with carryforward balances relating to amounts prior to 2017, will still be able to utilize those credits. The Employee’s Tools tax credit is eliminated for the 2017 year.
- **Reducing Labour-sponsored Venture Capital Tax Credit**
The personal tax credit for investing in Labour-sponsored Venture Capital investments will be reduced from 20% to 15%, with the maximum credit being reduced from \$1,000 to \$750, effective for the 2018 taxation year.
- **Suspension of indexing of personal income tax amounts**
Effective for 2018 and forward, the personal income tax system will not be indexed until further notice.

MISCELLANEOUS CHANGES:

- Elimination of tax exemption for bulk gasoline and reducing tax exemption on bulk diesel to 80%
- Saskatchewan Transportation Company is being wound down.
- Borrowing \$1.1B in 2017-2018
- Reduction by \$250M in “human resources compensation across the public sector”.

For more information on the proposed budget measures contact us at:



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