

# MEDIA Release



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## Manitoba's Chartered Accountants wanted to see deeper cuts and less spending in today's budget

**WINNIPEG** – The Institute of Chartered Accountants of Manitoba would have preferred deeper tax cuts and fewer increases in spending in today's budget.

“We believe that Manitoba must focus on tax competitiveness to accelerate investment and attract more businesses to the province. However, it appears that the government has retained its focus of slowly introducing rate reductions, both personally and corporately,” said Gary Hannaford, FCA, CEO of the Institute of Chartered Accountants of Manitoba.

The proposed expenditures announced in today's budget are anticipated to be approximately \$8.6 billion, or an increase of approximately 3.4 per cent over the forecasted results for 2005/06.

“In today's environment, a focus on reducing expenditures could assist in accelerating tax rate reductions which could further stimulate the economy,” said Craig Roskos, Chair of the Institute's Tax Committee and a tax partner with Ernst & Young LLP.

The Manitoba government plans to reduce the general corporate tax rate from the current 14.5 per cent to 13.0 per cent by July 1, 2008, provided the government attains its balanced budget requirements.

“The government is moving in the right direction by planning to reduce corporate income tax rates but our business environment requires stability and certainty to attract new investment and not announcements that are reliant on the government attaining certain goals,” Hannaford said.

The government also proposed rate reductions to the Corporate Capital Tax (from 0.5 per cent to 0.4 per cent for corporations with taxable capital greater than \$20 million and from 0.3 per cent to 0.2 per cent for corporations with taxable capital between \$10 and \$20 million); again, providing the government attains its balanced budget requirements.

Several Canadian provinces have taken steps to eliminate or provide much higher exemption levels for the Corporate Capital Tax. In addition, Manitoba is the only western Canadian province to impose the Health and Post-Secondary Education Tax or 'payroll' tax.

“These taxes are major irritants, if not deterrents, to doing business in Manitoba. While it is encouraging to see the government creating higher exemption levels and considering reducing the rates for the Corporate Capital Tax, it is also disappointing to see absolutely no action taken with the 'payroll' tax” said Roskos.

“And again these reductions are contingent on the government attaining its balanced budget requirements,” Roskos added

A positive step for Manitoba businesses, today’s budget announced a decrease to the small business corporate tax rate on the first \$400,000 of taxable income from the current rate of 4.5 per cent to 3 per cent effective January 1, 2007.

Also of benefit to manufacturers in Manitoba is an increase from 20 per cent to 35 per cent in the refundable portion of the Manufacturing Investment Tax Credit (a 15 per cent tax credit on eligible purchases of new and used manufacturing equipment).

The only change to personal tax rates was in the middle bracket, with a reduction from 13.5 to 13.0 per cent, effective January 1, 2007.

“We see no impact from this reduction until 2007,” said Hannaford. “We had hoped to see cuts to all personal tax rates, not just the middle bracket, and ones beyond the previously announced cuts for 2006.”

“When one considers that economic growth in the province is driven by the ability to attract new investment, businesses and leaders to operate and create wealth – one may wonder why no action has been taken on reducing personal tax rates for high income earners,” Roskos added.

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