



MEDIA Release

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Tax burden affects Manitoba's competitiveness as a place to invest

WINNIPEG – The *MB Check-Up*, an annual study by the Chartered Accountants of Manitoba, shows that while Manitoba has delivered improvements in most of the invest indicators over the past year, the levels of corporate and personal taxation are not competitive with other provinces.

“In our analysis of the province as a place to live, work, and invest the section on invest is an area where Manitoba has shown some improvements,” said Gary Hannaford, CEO of the Institute of Chartered Accountants of Manitoba. “However, the province began the decade in a low position so even with the improvements its 2002 levels do not measure up against the other studied provinces.”

The *MB Check-Up* shows that the after-tax corporate profits indicator is where Manitoba really falls short.

“The province does not have a good profit performance,” Hannaford said. “Its level of before- and after-tax corporate profits have remained less than half of Saskatchewan's, despite Manitoba having the larger economy,” he added.

The study indicates that the level of before-tax profits that businesses are achieving and the level of taxation in the province are two important factors to consider when looking at after-tax profits.

“In 2002, Manitoba taxpayers carried the highest corporate tax burden of the studied jurisdictions,” Hannaford said. “The provincial government has introduced decreases in corporate tax rates in recent years, but these still lag behind the rates in the most of the other studied jurisdictions.”

The *MB Check-Up* shows that Manitoba and Ontario are the only provinces in the studied jurisdictions to apply a payroll tax, considered by many to be a disincentive to hire more workers.

Hannaford noted that while Alberta and BC do not have a payroll tax they do apply health premiums which are borne by both employers and employees.

Manitoba also has a relatively high personal tax burden, which can possibly discourage entrepreneurial investments and the attraction of high performers from lower taxation jurisdictions.

To the good, Manitoba's taxpayer-supported debt-to-GDP ratio was the second lowest of the studied jurisdictions in 2002. It declined by 0.9 per cent in 2002-03 due to a better than projected fiscal performance.

The *MB Check-Up* shows that while Manitoba enjoyed its eighth consecutive surplus in 2002/2003, these surpluses have periodically been at the expense of a draw down in the Fiscal Stabilization Fund.

“Without the draw downs in the Fiscal Stabilization Fund, Manitoba would have recorded deficits in the four fiscal years of 1997-98, 1998-99, 1999-2000, and 2002-03,” Hannaford said.

The study also shows that Manitoba’s non-residential construction cost index declined by 0.6 per cent, ranking second behind Saskatchewan (-3.1 per cent).

“Manitoba has consistently had the least amount of non-residential construction taking place,” Hannaford said. “In 2002, it had the smallest dollar amount of non-residential construction, less than half of Saskatchewan’s which has a smaller overall economy than Manitoba.”

The *MB Check-Up* notes that Manitoba’s unit labour costs shrank by a very small 0.6 per cent and the real export price index fell 1.7 per cent in 2002. The weakening export price index reflects a fall off in hydro electricity export prices and dampened demand in the U.S. economy.

“Overall, the province has improved as a place to invest,” Hannaford said, “But in order to be competitive with the other provinces Manitoba will have to pick-up the progress considerably to narrow the gap with the other jurisdictions.”

Today’s release of the *MB Check-Up* looking at Manitoba as a place to invest is the third of three sections and considers the five areas of taxation, provincial debt, non-residential construction costs, unit labour costs, and export prices. Manitoba’s performance is compared against BC, Alberta, Saskatchewan, Ontario, and the national average. The full report is available on the Chartered Accountants of Manitoba’s website at www.icam.mb.ca.

The primary mission of the Institute of Chartered Accountants of Manitoba is to protect the public interest. It does so by ensuring that its members have the highest level of competence and integrity as a result of demanding standards for admission to the profession, its continuous learning policy and its inspection and discipline process.

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