MEDIA *Release*

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Manitoba's tax regime takes a substantial bite out of profits

WINNIPEG – The *MB Check-Up*, an annual study by the Chartered Accountants of Manitoba, shows that Manitoba has the lowest after-tax profits to GDP and second highest general corporate tax rates when compared to the other western provinces, Ontario and the Canadian average.

"In our analysis of the province as a place to live, work, and invest, the section on invest is an area where Manitoba performs poorly in comparison to the other western provinces and Ontario," said Gary Hannaford, CEO of the Institute of Chartered Accountants of Manitoba (ICAM).

The *MB Check-Up* shows that Manitoba's corporate profits rose 17 per cent in 2004 but the province's after-tax profits to GDP ratio was only 8.2 per cent, the lowest in the comparison and well below the Canadian average of 10.7 per cent.

"Manitoba's tax regime takes a substantial bite out of profits which reduces after-tax returns," Hannaford said.

The ICAM spokesperson said the provincial government has been working to reduce the corporate tax burden and that the reductions will enhance Manitoba's rate of return but the province is not cutting as much or as quickly as the other studied regions.

"Ultimately, tax competitiveness affects productivity and standard of living and we are simply not competitive with corporate tax rates when compared to the other western provinces and Ontario," Hannaford said.

The study also shows that in 2004 Manitoba imposed the highest personal provincial taxes with an effective rate (Payroll Tax included in the calculation) of 17.8 per cent for individuals earning $80,000. At the other end of the income spectrum, however, Manitoba imposed among the lowest rates for unattached individuals in the $25,000 bracket and for senior couples with a $30,000 income.

"Manitoba is regarded as an affordable place to live but it needs to reduce the personal tax burden so we can attract and keep skilled workers and entrepreneurs," Hannaford said.

The *MB Check-Up* also shows that the ratio of machinery and equipment investment to GDP in Manitoba rose dramatically from 8.3 per cent in 1999 to 10.6 per cent in 2004.

Hannaford noted that greater investment in machinery and equipment reflects businesses' efforts to remain competitive and adapt to new technologies, which has direct effects on future productivity.

The invest section of *MB Check-Up* also shows that Manitoba had the third lowest taxpayer-supported debt to GDP ratio (18.9), the second smallest increase in unit labour cost ($0.60) and the lowest patents per million population (29.1) in 2004.

MB Check-Up is published annually by ICAM and provides an independent factual comparison of the four Western provinces, together with Ontario and the Canadian average using15 key indicators to create a profile of each as a place to *live*, a place to *work*, and a place to *invest*. Subsequent instalments of the report, dealing with Manitoba as a place to *live* and a place to *work* will be released over the next two weeks.

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