

## **MAJOR TAX CREDITS in MANITOBA (FEDERAL and PROVINCIAL)**

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### **Manitoba Manufacturing Investment Tax Credit**

The Manitoba Manufacturing Investment Tax Credit provides a 10% tax credit applicable against Manitoba corporate income tax payable. This credit is for new and used manufacturing buildings, machinery and equipment used directly in the manufacturing process. Qualified investments must be made after March 11, 1992 and before January 1, 2012.

The amount deductible against Manitoba income tax will be the lesser of the 10% investment tax credit or the Manitoba Corporate Income Tax otherwise payable. Unused investment credits can be carried forward up to ten years, or carried back up to three years. This credit was made partially refundable in the 2005 Budget. The 2008 Manitoba Budget increased the refundable portion to 70% of earned credits for qualified property acquired on or after January 1, 2008. This allows firms without taxable income to take immediate advantage of the MITC.

### **Green Energy Manufacturing Tax Credit**

This refundable income tax credit will be equal to 10% of the value of qualifying property produced in Manitoba and sold before 2019 for residential or commercial use in Manitoba.

Qualifying property includes equipment for wind power, solar energy, geothermal energy and hydrogen fuel cells.

For more information please contact:

Manitoba Finance

Taxation, Economic and Intergovernmental Fiscal Research Division

Tel: 204-945-3757

Fax: 204-945-5051

Web: [www.gov.mb.ca/finance/fedprov/index.html](http://www.gov.mb.ca/finance/fedprov/index.html)

### **Manitoba Film and Video Production Tax Credit**

The Manitoba Film and Video Production Tax Credit, which was set to expire March 1, 2011, has been extended to March 1, 2014, and production companies may now elect to claim a new tax credit based on a wider range of production costs incurred and paid.

Since 1997, a refundable tax credit for film and video productions has been available, based on eligible salaries paid to Manitoba residents and qualifying non-resident employees ("deemed residents") for work performed on an eligible film or video produced in Manitoba. When the program began, the rate of the credit was 35%; since March 9, 2005, the basic rate of the credit has been 45%.

Salary associated with a deemed resident who trains two or more Manitoba residents cannot exceed 30% of eligible salaries paid to Manitoba residents; or 10% if only one Manitoba resident is trained.

A 5% Manitoba producer bonus applies based on eligible salaries where a Manitoba resident receives credit as a producer on an eligible film.

A frequent filming incentive is also provided. A corporation that produces three eligible films in two years earns the additional credit on eligible salaries paid with respect to the third qualifying production. For productions commencing principal photography before January 1, 2008, the frequent film bonus is 5% and the percentage of eligible salaries associated with deemed residents is 20%. For productions commencing principal photography on or after that date, the frequent film bonus is 10% and the percentage of eligible salaries associated with deemed residents is 30%.

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5% rural and northern incentive is provided based on eligible salaries paid for work performed in Manitoba on productions where a permanent establishment of the applicant corporation is located, and 50% of principal photography days took place, at least 35km from Winnipeg.

With the Manitoba producer bonus, the frequent filming incentive, and the rural and northern incentive, a film that meets all program criteria may now earn a maximum 65% credit on eligible salaries.

Starting with productions that commence principal photography after March 2010, production companies will be able to elect to claim either the film tax credit based on up to 65% of eligible labour costs (described above), or a new 30% tax credit based on production costs incurred and paid, for labour, goods, and services provided in Manitoba that are directly attributable to the production of an eligible film.

The following changes are also proposed, effective March 24, 2010:

- production companies may file Form T2029, *Waiver in Respect of the Normal Reassessment Period*, to extend their application deadline by 18 months;
- amendments to the governing legislation will be made to provide the Province with greater flexibility to make changes in response to external changes; and
- federal limitation periods will be adopted for filing a Manitoba film tax credit certificate with the Canada Revenue Agency.

For more information on the Film and Video Production Tax Credit contact:

Manitoba Film & Music

410 - 93 Lombard Avenue

Winnipeg MB R3B 3B1

Phone: 204-947-2040

Fax: 204-956-5261

Email: [explore@mbfilmmusic.ca](mailto:explore@mbfilmmusic.ca)

### **Interactive Digital Media Tax Credit**

This tax credit, which was set to expire December 31, 2010, is extended to December 31, 2013. This refundable corporation income tax credit is for companies that develop and produce interactive digital media projects in Manitoba. The tax credit is equal to 40% of the remuneration paid to Manitobans on eligible projects approved by the Department of Science, Technology, Energy and Mines. The maximum tax credit on an eligible project is \$500,000. Projects that begin prototyping and product development after April 9, 2008 and before 2014 qualify for the credit.

A qualifying company must be a taxable Canadian corporation with a permanent establishment in Manitoba. The tax credit is processed as part of a qualifying company's annual income tax return and administered by the Canada Revenue Agency. This tax credit replaces the Manitoba New Media Production Grant, which is available for projects developed and produced prior to April 10, 2008. Project eligibility under the tax credit builds upon the criteria under the Grant.

The following changes are also proposed, effective for certificates of eligibility and tax credit certificates issued after March 23, 2010:

- tax credit certificates can be issued on a taxation-year basis instead of at the end of a project;
  - repaid or repayable government assistance will no longer reduce eligible labour costs; and
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- where a government or public authority is the purchaser of an interactive digital media product, the amount paid by the purchaser and the amount of the interactive Digital Media Tax Credit cannot exceed 100% of the project's costs.

For more information on the Interactive Digital Media Tax Credit contact:

Manitoba Innovation, Energy and Mines

1030 - 259 Portage Avenue

Winnipeg, MB R3B 3P4

Phone: 204-945-0589

Fax: 204-945-3977

Email: [newmediainquiries@gov.mb.ca](mailto:newmediainquiries@gov.mb.ca)

**RESEARCH AND DEVELOPMENT TAX CREDITS**

**Federal Scientific Research and Experimental Development (SR&ED) Tax Incentive Program**

The federal Income Tax Act permits a 100% deduction of SR&ED qualified expenditures from income. All qualifying expenditures form a "pool" which is increased by SR&ED expenditures and diminished by government or non-government assistance received in relation to these activities. Current and capital expenditures incurred in Canada, and current expenditures incurred outside Canada, are added to the pool.

Expenditures incurred in Canada may be deducted in the year incurred or carried forward indefinitely. Current expenditures incurred outside Canada can only be deducted in the year incurred. For purposes of calculating the amount of the SR&ED deduction in a given year, the "pool" of qualified expenditures is adjusted yearly and includes all prior years and current year expenses, less all assistance received or receivable for current or previous years in that year, less all research and development related tax credits claimed in previous years.

Provincial research and development (R&D) credits reduce the SR&ED pool in the year received while federal tax credits reduce the pool in the following year. If the balance of the SR&ED pool is negative, the excess is treated as income for the year.

<b>SUMMARY OF FEDERAL SR&amp;ED TAX CREDITS</b>			
	<b>Rates (%)</b>	<b>Refundability</b>	
		<b>Current</b>	<b>Capital</b>
Individuals & Unincorporated Businesses	20%	None	None
Canadian Controlled Private Corporations:			
• Taxable Income less than \$200,000			
o Expenditures under \$2 million	35%	100%	40%
o Expenditures over \$2 million	20%	40%	40%
• Taxable Income over \$200,000	20%	None	None
Large Corporations	20%	None	None

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Unused tax credits are eligible for a carry-forward of up to seven years and a carry-back of up to three years.

When a corporation is not taxable in a given year and wishes to maximize the refundable federal tax credit, it may choose to renounce its right to the provincial tax credit.

For more information about the Federal SR&ED Tax Incentives Program, contact the Canada Revenue Agency, 325 Broadway, Winnipeg, at (204) 983-3918 or visit [The Canada Revenue Agency](#) website.

### **Manitoba Research and Development Tax Credit**

This program targets scientific research and experimental development (as defined for federal purposes) carried on in Manitoba. Qualified expenditures must be incurred after March 11, 1992. Corporations earn a 15% non-refundable tax credit which can be applied against Manitoba corporate income tax payable in the year earned, with unused credits available for a ten-year carry-forward and a three-year carry-back (to taxation years ending after March 11, 1992). This program is administered by Canada Customs and Revenue Agency on behalf of Manitoba.

For qualified expenditures incurred after March 8, 2005 the rate of the credit is 20%.

The credit is refundable for eligible expenditures incurred after 2009 by a corporation with a permanent establishment in Manitoba and where the research and experimental development is carried on in Manitoba under an eligible contract with a qualifying research institute.

Budget 2010 extends refundability of this tax credit to in-house R & D expenditures (i.e., R & D not undertaken under contract with an institute in Manitoba) as follows:

- starting 2011, one quarter of the credit for in-house R & D will be refundable; and
- starting 2012, one half if the credit for in-house R & D will be refundable.
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For more information on the Manitoba Research and Development Tax Credit, contact the [Taxation, Economic and Intergovernmental Fiscal Research Division](#), Manitoba Department of Finance at (204) 945-3757.