

Saskatchewan Budget 2008 Highlights

Ready for Growth

March 19, 2008



MEYERS NORRIS PENNY LLP

Key Tax Measures From Budget 2008

Saskatchewan Minister of Finance Rod Gantfoer, tabled Saskatchewan's provincial budget on March 19, 2008. This year's budget focuses on forty government campaign promises and also provides for a large investment in infrastructure to ensure the province is ready for growth. Below are highlights of the major tax changes that were announced.

A. PERSONAL INCOME TAX MEASURES

Active Saskatchewan Families Benefit

Effective in 2009, a new refundable income tax credit has been introduced to annually rebate up to \$150 per child for cultural, recreational and sports activity fees for children aged 6 to 14. A list of eligible activities will be completed by the Ministry of Tourism, Parks, Culture and Sport by the fall of 2008.

A new provincial application form will be required to be completed and attached to the Saskatchewan income tax return.

Post Secondary Graduate Retention Program ("GRP")

A Graduate Retention Program ("GRP") has been introduced which will replace the Graduate Tax Exemption Program¹. The GRP will rebate up to \$20,000 of tuition fees paid by eligible graduates of a Saskatchewan post-secondary institute effective January 1, 2008.

The existing Graduate Tax Exemption program will still benefit eligible 2006 and 2007 graduates in the 2007 taxation year. These graduates may also qualify for the new GRP, which will be based on a portion of tuition costs and the particular program of study that was completed.

For the GRP, the maximum tuition rebate based on year of graduation for each program of study is as follows:

Year of Graduation	Maximum Tuition Rebate				
	2006	2007	2008	2009	2010
Certificate Program	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Diploma Program	\$ 3,200	\$ 3,200	\$ 6,400	\$ 6,400	\$ 6,400
3-Year Undergraduate Degree Program	\$ 5,000	\$ 5,000	\$ 10,000	\$ 15,000	\$15,000
4-Year Undergraduate Degree Program	\$ 5,000	\$ 5,000	\$ 10,000	\$ 15,000	\$20,000

¹ Graduate Tax Exemption - A \$10,000 tax exemption for post-secondary graduates for each of the 5 years after graduation from a Saskatchewan post-secondary institute.

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A graduate must remain in Saskatchewan for seven years after graduation to fully qualify for the tuition rebate. The maximum amount of rebate is \$20,000 over the course of a lifetime for each graduate. The Canada Revenue Agency (CRA) will calculate the graduate's rebate for each taxation year during the seven year entitlement period.

Disability Related Tax Credits

The following tax credits have been significantly enhanced for individuals with severe and prolonged disabilities and for individuals who are supporting elderly or disabled relatives (for the 2008 taxation year).

	EXISTING	PROPOSED
Caregiver Tax Credit	\$4,095	\$8,190
▪ <i>credit reduced when dependent's income exceeds</i>	\$13,987	\$13,987
Infirm Dependant Tax Credit	\$4,095	\$8,190
▪ <i>credit reduced when dependent's income exceeds</i>	\$5,811	\$5,811
Disability Tax Credit	\$7,021	\$8,190
Disability Tax Credit – Supplement	\$4,095	\$8,190
▪ <i>Supplement reduced if child care or attendant care claim exceeds</i>	\$2,399	\$2,399

Mineral Exploration Tax Credit

The Saskatchewan tax credit parallels the proposal by the Federal government to extend the 10% mineral exploration tax credit for flow-through share agreements entered into after March 31, 2008 (previously the Saskatchewan credit expired as of December 31, 2005 and was not subsequently reintroduced).

B. CORPORATE INCOME TAX MEASURES

Budget 2008 reiterates the government's commitment to maintaining the competitiveness of Saskatchewan's corporate taxes. The following table summarizes previously announced corporate tax reform. No new changes have been announced in this year's budget.

	JULY 1, 2007	JULY 1, 2008
GENERAL CORPORATE INCOME TAX RATE	13%	12%
GENERAL CORPORATION CAPITAL TAX		
▪ existing capital	0.15%	NIL
▪ new capital	NIL	NIL
CORPORATION CAPITAL TAX RESOURCE SURCHARGE RATES		
▪ general rate	3.1%	3.0%
▪ 4 th tier oil and gas rate	1.75%	1.7%
CORPORATION CAPITAL TAX – FINANCIAL INSTITUTION		
▪ aggregate taxable paid up capital > \$1B	3.25%	3.25%
▪ aggregate taxable paid up capital < \$1B	0.7%	0.7%
SMALL BUSINESS CORPORATE TAX RATE	4.5%	4.5%
SMALL BUSINESS LIMIT	\$450,000	\$500,000

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C. PROVINCIAL SALES TAX MEASURES (PST)

Exemption for Used Light Vehicles

For eligible used light vehicles purchased on or after November 8, 2007, PST is eliminated where the tax has already been paid. For vehicles where the tax has not been previously paid in full, the value of the eligible trade-in will be deducted before the PST is applied, which will deem the eligible vehicle to be fully tax-paid.

Eligible used light vehicles includes all cars, sport utility vehicles, light vans (one-ton or less), and light trucks (one-ton or less). Vehicles not eligible for the tax exemption include vehicles that are:

- purchased outside the province of Saskatchewan;
- imported by dealerships for sale in Saskatchewan;
- purchased from a status Indian or the Federal government; or
- received as a gift from non-resident.

To apply for a tax refund for eligible vehicles, a refund application must be filled out.

D. ANTICIPATED MEASURES NOT PROPOSED

Two changes that were anticipated to be included in the Budget, but were not proposed, are discussed briefly in the Budget Address.

Research and Development (R&D) Tax Credit

Anticipated proposal: An increase in the Saskatchewan research and development tax credit from 15% to 20%.

The province of Saskatchewan currently offers a corporate income tax credit equal to 15% of qualifying R&D expenditures incurred in Saskatchewan. To encourage further R&D activity in Canada, the Federal government proposed changes to their R&D incentives offered in their 2008 Budget. While Saskatchewan has not announced any increases to the credit in this year's Budget address, it has indicated that it intends to improve the provincial R&D tax credit to ensure consistency with the Federal credits proposed.

Entrepreneur Exemption

Anticipated proposal: A \$10,000 tax exemption each year for five years for young entrepreneurs and self-employed people under the age of 30.

The Saskatchewan government proposed to create a new income tax exemption which would encourage young entrepreneurs to start new businesses in Saskatchewan. The Budget address indicates that the Federal government has refused to administer this measure as part of the provincial income tax system. The government plans to explore other options to start this initiative.

Should you have any questions regarding how this budget will affect you and your business, please contact your Meyers Norris Penny professional in the Saskatchewan office nearest you.