

## Corporate Income Tax

Saskatchewan's Corporate Income Tax (CIT) is levied as a percentage of the share of a corporation's taxable income that is allocated to the Province. The federal government administers Saskatchewan CIT through a tax collection agreement, using the same determination of a corporation's taxable income for both federal and provincial tax purposes.

Saskatchewan's general tax rate on corporate taxable income is 12%. Special rates apply for manufacturers and processors and for small businesses:

- The **Saskatchewan Manufacturing and Processing (M&P) Profits Tax Reduction** reduces the provincial general corporate income tax rate to as low as 10% on Canadian manufacturing and processing profits, depending on the proportion of income allocated to Saskatchewan. Income is allocated according to a predetermined formula that considers salaries and wages paid and income earned in each jurisdiction where the company or group of companies has operations.
- The **Saskatchewan Small Business Rate** of 2% applies to Canadian-controlled private corporations on the first \$500,000 of active business income.

		2012
Corporate Income Tax Rate	(%)	12
Manufacturing and Processing Rate	(%)	10
Small Business Rate	(%)	2
- Small Business Threshold	\$	500,000

## Corporate Income Tax Credits

- The **Manufacturing and Processing Investment Tax Credit (ITC)** is determined as 5% of the total capital cost of eligible new and used M&P building, machinery and equipment purchases made during the year, including installation costs and federal Goods and Services Tax. The ITC is fully refundable for all eligible capital acquisitions occurring after April 6, 2006. Unclaimed ITC balances earned prior to April 7, 2006 are applied against CIT payable, and can be carried forward for ten taxation years. M&P firms in a taxable position can use the ITC to reduce their monthly tax instalments.
- The **Research and Development (R&D) Tax Credit** is a refundable credit equal to 15% of qualifying R&D expenditures incurred in Saskatchewan. Activities such as operations research, engineering or design and computer programming are generally eligible, but market research, sales, promotion and quality control/routine testing are not. For expenditures prior to March 19, 2009, the non-refundable credit reduces Saskatchewan corporate income tax payable, and unused credits may be carried forward for ten taxation years or back for three years. For expenditures after March 19, 2009, the tax credit is fully refundable and may reduce Saskatchewan corporate income tax payable, reduce other tax liabilities or create a tax refund.
- The **Saskatchewan Film Employment Tax Credit** is equal to 45% of salaries and wages paid to Saskatchewan residents. An additional 5% credit is available to productions with budgets over \$3 million that employ Saskatchewan crew members and technicians in six out of ten key positions. Productions filming more than 40 kilometres from Regina and Saskatoon are also eligible for a 5% rural bonus.

## Corporation Capital Tax

Corporation Capital Tax (CCT) is levied on the paid-up capital of certain Saskatchewan corporations. Paid-up capital generally includes capital stock, retained earnings and long-term debt.<sup>1</sup>

CCT applies to provincial Crown corporations and financial institutions. Resource corporations (including associated corporations) with assets in excess of \$100 million must pay a CCT Resource Surcharge equal to 3.0% of the value of Saskatchewan resource sales.

		2012
Provincial Crown Corporations (commercial entities only)	(%)	0.6
Financial Institutions		
< \$1.5 billion aggregate paid-up capital	(%)	0.7
> \$1.5 billion aggregate paid-up capital	(%)	3.25
CCT Resource Surcharge		
General Rate	(%)	3.0
4 <sup>th</sup> Tier Oil and Gas Rate	(%)	1.7

## Provincial Sales Tax

The Provincial Sales Tax (PST) is a 5% sales tax that applies to taxable goods and services consumed or used in Saskatchewan. It applies to goods and services purchased in the province as well as goods and services that are imported for consumption or use in Saskatchewan. Input Tax Credits cannot be used by businesses to recover PST expenditures, as is the case with the federal GST/HST.

Purchase or rental of new and used tangible personal property is subject to PST, as are services ranging from repair and installation labour to legal services.<sup>2</sup> As a general rule, direct agents such as raw materials, dies, jigs, moulds, polishing compounds, abrasives, cutting lubricants, etc. consumed or transformed in the production of goods are exempt from PST. Gas and electricity consumed in the production of goods are also exempt from PST, but in the case of electricity, the exemption is limited to power directly consumed by machinery and equipment used in the manufacturing process.<sup>3</sup>

<sup>1</sup> For a more detailed explanation, please see Saskatchewan Finance (2002) Information Bulletin CT-1, *Calculation of Paid-Up Capital* [<http://finance.gov.sk.ca/revenue/cct/bulletins/CT-1%20Calculation%20of%20Paid%20Up%20Capital.pdf>].

<sup>2</sup> For a complete listing of taxable services, please see the Saskatchewan Finance website [<http://finance.gov.sk.ca/revenue/pst/bulletins/PST-46%20Service%20Enterprises.pdf>].

<sup>3</sup> For more information, please see Saskatchewan Finance (2002) Information Bulletin PST-21, *Information for Manufacturers* [<http://finance.gov.sk.ca/revenue/pst/bulletins/PST-21%20Manufacturers.pdf>].

## Federal and Provincial Tax Comparison (Rates in effect January 1, 2012)

		CDA	SK	BC	AB	MB	ON	QC	NB	NS	PE	NL
Corporate Income Tax Rate	(%)	15	<b>12</b>	10	10	12	11.5	11.9	10	16	16	14
M&P Rate	(%)	15	<b>10<sup>1</sup></b>	10	10	12	10	11.9	10	16	16	5
Small Business Rate	(%)	11	<b>2</b>	2.5	3	0	4.5	8	4.5	4	1	4
Small Business Threshold	(\$K)	500	<b>500</b>	500	500	400	500	500	500	400	500	500
Corporate Capital Tax Rate	(%)	-	-	-	-	-	-	-	-	0.05 to 0.1 <sup>2</sup>	-	-
CCT Exemption	(\$M)	-	-	-	-	-	-	-	-	5 <sup>3</sup>	-	-
Financial Institution CCT	(%)	1.25 <sup>4</sup>	<b>0.7 to 3.25<sup>5</sup></b>	-	-	3	-	-	3 <sup>6</sup>	4	5 <sup>7</sup>	4 <sup>8</sup>
Sales Tax Rate	(%)	5	<b>5</b>	7 <sup>9</sup>	-	7	8 <sup>10</sup>	9.98 <sup>11</sup>	8 <sup>12</sup>	10 <sup>13</sup>	10.5 <sup>14</sup>	8 <sup>15</sup>
Payroll Tax Rate	(%)	- <sup>16</sup>	-	- <sup>17</sup>	-	2.15 to 4.3 <sup>18</sup>	1.95 <sup>19</sup>	2.7 to 4.26 <sup>20</sup>	-	-	-	2 <sup>21</sup>
Top Marginal Personal Income Tax Rate <sup>22</sup>	(%)	29	<b>44</b>	43.7	39	46.4	40.16 <sup>23</sup>	48.22	43.3	50	45.7	42.3

<sup>1</sup> Can be as low as 10% depending on the proportion of income allocated to Saskatchewan by the corporation and any associated companies.

<sup>2</sup> To be eliminated July 1, 2012.

<sup>3</sup> There is a \$5 million exemption for paid-up capital under \$10M; over \$10M there is no exemption.

<sup>4</sup> On taxable capital over \$1B.

<sup>5</sup> 0.7% rate applies to financial institutions with paid-up capital under \$1.5B; 3.25% rate for financial institutions with taxable capital over \$1.5B.

<sup>6</sup> Exemption of \$10M.

<sup>7</sup> On capital in excess of \$2M.

<sup>8</sup> The first \$5M is exempt for companies with less than \$10M in paid-up capital.

<sup>9</sup> Harmonized with federal GST at present. The HST will be repealed and BC will reinstitute its PST in early 2013.

<sup>10</sup> Harmonized with federal GST.

<sup>11</sup> The QST of 9.5% is calculated after the GST has been applied, for an effective rate of 9.98%. QST is harmonized with federal GST, but the Ministère du Revenu du Québec administers the GST/HST in Québec, including Input Tax Credits/Refunds.

<sup>12</sup> Harmonized with federal GST.

<sup>13</sup> Harmonized with federal GST.

<sup>14</sup> 10% rate is applied after GST, giving an effective rate of 10.5%.

<sup>15</sup> Harmonized with federal GST.

<sup>16</sup> There are mandatory employer contributions for Employment Insurance and Canada Pension Plan based on employees' taxable income.

<sup>17</sup> B.C. levies a monthly Medical Services Plan premium ranging from \$64.00 for a single person (\$768 per year) to \$128 for a family of three or more (\$1,536 per year). While not a payroll tax *per se*, it is often paid by employers on behalf of their employees.

<sup>18</sup> Payroll below \$1.25M is exempt from payroll tax. Between \$1.25M and \$2.5M the rate is calculated as 4.3% of the amount over \$1.25M. Payrolls over \$2.5M are taxed at the rate of 2.15% of the entire payroll.

<sup>19</sup> The first \$400K of payroll is exempt from Employer Health Tax. Associated companies must split the \$400K exemption between them, with the remaining payroll taxed at rates ranging from 0.98% to 1.95%.

<sup>20</sup> The rate for payrolls up to \$1M is 2.7%; between \$1M and \$5M the rate gradually increases to its maximum of 4.26%. Québec also applies a 1% training tax on payroll amounts over \$1M and a Québec Parental Insurance Plan premium of 0.708% of payroll up to \$66,000 earnings per employee.

<sup>21</sup> 2% on payroll over \$1,200,000

<sup>22</sup> Federal/provincial combined rate.

<sup>23</sup> Ontario applies a surtax on Ontario tax liabilities above a threshold amount: \$4,213 to \$5,392 – 20%; over \$5,392 – 56%.