

HIGHLIGHTS FROM THE SASKATCHEWAN BUDGET

Minister of Finance Donna Harpauer tabled the 2021-2022 Saskatchewan provincial budget on April 6, 2021.

The budget projects a \$2.6 billion deficit for the 2021-2022 fiscal year. The government projects the province's fiscal path will improve over the next three years with smaller deficits and a return to balance anticipated by 2026-2027.

There were no increases or decreases to personal or corporate income tax rates for 2021.

The following pages are a summary of the changes announced in the budget. Please note that these changes are proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The 2021-2022 budget leaves personal income tax rates unchanged from 2020. Tax brackets and other amounts have been indexed by 1% to recognize the impact of inflation. The table below shows Saskatchewan tax rates and brackets for 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$45,677	10.5%
Over \$45,677 up to \$130,506	12.5%
Over \$130,506	14.5%

The table below shows the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	47.5%
Capital gains	23.75%
Eligible dividends	29.64%
Non-eligible dividends	42.29%

Saskatchewan Home Renovation Tax Credit

The new Saskatchewan Home Renovation Tax Credit provides a 10.5% tax credit on up to \$20,000 of eligible home renovations done between October 1, 2020 and December 31, 2022, beginning with the 2021 tax year. Saskatchewan homeowners may save up to \$1,155 in provincial income tax in 2021 by claiming a tax credit on eligible home renovation expenses incurred between October 1, 2020 and December 31, 2021. A further \$945 in savings may be claimed in 2022 in respect of eligible expenses incurred between January 1, 2022 and December 31, 2022.

Active Families Benefit (AFB)

The AFB is being reinstated to provide a refundable income tax credit to assist families with the cost of registering children in cultural, recreational and sports activities.

Eligible programs are those that are suitable for children and require children to actively participate, are offered by a service provider located in Saskatchewan, involve instruction and supervision, and require registration and payment of a fee.

- The benefit will provide a refundable tax credit of up to \$150 per year per child to eligible families.
- Families of children with a disability can claim an additional \$50 for a total tax credit of up to \$200 per year per child.
- The AFB will be an income-tested tax credit. Eligible families must have a combined net income of \$60,000 or less.

The AFB will be retroactive to January 1, 2021. Eligible families who enroll their children in qualifying sports, arts and cultural activities in 2021 should keep their receipts in order to claim the benefit on their 2021 income tax return.

Saskatchewan Technology Start-up Incentive

The 2021-2022 Budget extends the Saskatchewan Technology Startup Incentive for five years to 2025-2026, to encourage investment in technology, bring new products to market and create jobs. The program offers a non-refundable 45% tax credit to individual and corporate investors in Eligible Startup Businesses in Saskatchewan.

CORPORATE TAX MATTERS

Corporate income tax rates

Saskatchewan has temporarily reduced its small business rate from 2% to nil, effective for the period commencing October 1, 2020 and ending on June 30, 2022. The small business rate will increase to 1% effective July 1, 2022 and return to a rate of 2% on July 1, 2023. The table below shows Saskatchewan tax rates and the small business limit for 2021.

CATEGORY	2021 TAX RATES
General rate	12%
Manufacturing and processing rate	10%
Investment income rate	12%
Small business rate	0%
Small business limit	\$600,000

The table below shows the 2021 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Active business income up to \$500,000	9%
Active income over \$500,000 / \$600,000	15% / 27%
Manufacturing and processing income	25%
Investment income	50.67%

OTHER INITIATIVES

Seniors Income Plan (SIP)

The 2021-2022 Budget increases benefits to seniors through \$3.5 million in additional funding for the SIP. The investment will help low income seniors enjoy a better quality of life with maximum payments increasing by \$30 a month. The increase takes effect July 1, 2021.

SaskPower Rebate

All SaskPower customers will receive a one-year, 10% rebate on electricity charges on power bills, to support Saskatchewan's economic recovery from COVID-19. In total, the rebate is \$174.8 million in 2021-2022.

Auto Fund Rebate

Saskatchewan drivers will receive a one-time rebate of \$285, on average, calculated on a proportion of vehicle premiums paid in the previous three years. The full rebate from the Auto Fund is \$285 million, announced in February, and is to be provided to Saskatchewan drivers in May.

Taxation of Electric Vehicles

The 2021-2022 Budget introduces a new annual tax of \$150 for each passenger electric vehicle registered in Saskatchewan, effective October 1, 2021. The tax will be collected by Saskatchewan Government Insurance when the electric vehicle is registered. While this tax will only apply to passenger vehicles, the Government will continue to examine the future potential for expanding the tax to commercial vehicles and interjurisdictional trucking. The Government will also consider options to apply a tax at charging stations.

Vapour Products Tax

The Government has made a number of changes in recent years to bring the marketing of vapour products in line with existing tobacco legislation. To help prevent vapour products from being attractive to youth and non-smokers, the 2021-2022 Budget introduces a new Vapour Products Tax (VPT) with a rate of 20% on the retail price of all vapour liquids, products and devices, effective September 1, 2021.

Retailers selling vapour products will be required to obtain a VPT license and to submit a VPT return.

Taxation of Heat-Not-Burn Tobacco Products

To help maintain tax equity between different types of tobacco products and to bring heat-not-burn (HNB) tobacco sticks in line with existing tobacco legislation, the 2021-2022 Budget adds HNB tobacco sticks as a separate category under The Tobacco Tax Act at a rate of approximately 75% of the tax rate on tobacco cigarettes, effective June 1, 2021. The current tax rate on cigarettes is 27.0¢ per stick, resulting in a HNB tax rate of 20.5¢ per stick.

WE CAN HELP

Your financial advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact.

For more information, we encourage you to speak to your advisor and visit [ci.com](https://www.ci.com)

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