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Global Tax Alert

News from Americas Tax Center

Canada: Saskatchewan issues budget 2020-21

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Executive summary

On 15 June 2020, Saskatchewan Finance Minister Donna Harpauer tabled the province's fiscal 2020-21 budget. The budget contains no new taxes or tax increases and introduces or extends tax incentives.

The Minister anticipates a deficit of CA\$2.4 billion¹ for 2020-21.

The following is a brief summary of the key tax measures.

Detailed discussion

Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates or the \$600,000 small-business limit.

Saskatchewan's 2020 corporate tax rates are summarized in Table A.

Table A: Corporate tax rates

	2020	
	Saskatchewan (SK)	Federal and SK combined
Small-business tax rate*	2.00%	11.00% (up to \$500k) 17.00% (\$500k- \$600k)
General manufacturing and processing tax rate	10.00%	25.00%
General corporate tax rate	12.00%	27.00%

* The small-business rate is based on a 31 December year-end.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The budget includes the re-introduction of automatic annual indexation of the personal tax brackets beginning in 2021.

The 2020 Saskatchewan personal tax rates are summarized in Table B.

Table B - 2020 Saskatchewan personal tax rates

First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$45,225	\$45,226 to \$129,214	Over \$129,214
10.50%	12.50%	14.50%

For taxable income in excess of \$129,214, the 2020 combined federal-Saskatchewan personal income tax rates are outlined in Table C.

Table C - Combined 2020 federal and Saskatchewan personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$129,215 to \$150,473	40.50%	19.98%	32.32%
\$150,474 to \$214,368**	43.72%	24.43%	36.03%
Above \$214,368	47.50%	29.64%	40.37%

* The rate on capital gains is one-half the ordinary income tax rate.

** An additional federal basic personal amount may be available for individuals with taxable income below \$214,368. The additional tax credit is \$140 for individuals with taxable income below \$150,474; this additional amount is gradually phased out for individuals with taxable income between \$150,474 and \$214,368, resulting in an additional 0.22% to 0.30% of federal income tax on taxable income in this bracket.

Provincial sales tax

- ▶ The budget confirms a Provincial Sales Tax (PST) rebate for new residential construction. The maximum eligible amount of the rebate is up to 42% of PST paid on the purchase of a new house after 31 March 2020 and before 1 April 2023. The 42% rebate is available on new houses with a total price less than \$350,000, excluding land, and is reduced for houses with a total price between \$350,000 and \$450,000. No rebate is available for houses with a total price of \$450,000 or more.
- ▶ The budget includes the reinstatement of a PST exemption for exploratory and downhole drilling activity including drilling for oil, gas and helium.
- ▶ The budget confirms initiatives will be enacted to ensure out-of-province e-commerce platforms collect and remit PST.

Other tax measures

Chemical fertilizer taxation

- ▶ The budget announces the Saskatchewan Chemical Fertilizer Incentive, which provides a 15% tax credit for new investment in the chemical fertilizer sector.

Manufacturing and processing taxation

- ▶ The budget extends the Manufacturing and Processing Exporter Tax Incentive beyond 31 December 2019 to 31 December 2022. The incentive provides rebates to hire incremental employees or additional head office employees and is available to manufacturing, processing and creative industry corporations that generate at least 25% of revenues through exports.

Oil taxation

- ▶ The budget announces the Oil Infrastructure Investment Program (OIIP) to support new and expanded pipelines and pipeline terminals. The OIIP provides a transferrable royalty credit of 20% of approved expenditures for eligible pipeline development projects with a minimum investment of \$10 million to a maximum of \$40 million of royalty credits. Applications will be accepted until 31 March 2025, and all credits will expire by 31 March 2035.

Endnote

1. Currency references in this Alert are to CA\$.

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