

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 will be reduced from 14 percent to 13 percent on July 1, 2007 and to 12 percent effective July 1, 2008. 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 percent 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 5 percent applies to Canadian-controlled private corporations on the first \$400,000 of active business income. The income threshold for the small business rate will increase to \$450,000 on July 1, 2007 and to \$500,000 effective July 1, 2008.

		Previous	1 July 2006	1 July 2007	1 July 2008
Corporate Income Tax Rate	(%)	17	14	13	12
Manufacturing and Processing Rate	(%)	10 to 17	10 to 14	10 to 13	10 to 12
Small Business Rate	(%)	5	5	5	5
- Small Business Threshold	\$	300,000	400,000	450,000	500,000

Corporate Income Tax Credits

- The **Manufacturing and Processing Investment Tax Credit (ITC)** is determined as 7 percent 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 equal to 15 percent 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. The credit reduces Saskatchewan corporate income taxes otherwise payable and unused amounts may be carried forward for ten taxation years or carried back three taxation years.
- The **Saskatchewan Film Employment Tax Credit** is equal to 45 percent of salaries and wages paid to Saskatchewan residents. An additional 5 percent credit is available to productions with budgets over \$3 million for 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 percent rural bonus.

Corporation Capital Tax

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

There is no CCT on new capital investment. The general CCT rate on existing paid-up capital in Saskatchewan will be reduced from 0.3% to 0.15% effective July 1, 2007, and will be eliminated effective July 1, 2008. For corporations with existing taxable capital, the first \$10 million of paid-up capital is exempt. An additional exemption of up to \$10 million is available depending on the proportion of salaries and wages attributable to Saskatchewan.

CCT continues to apply to provincial Crown corporations and financial institutions at the current rates. Resource corporations will continue to pay the CCT Resource Surcharge, but at reduced rates. The surcharge is equal to the difference between a specified percentage of Saskatchewan resource sales and tax liabilities at the current CCT rate (i.e. currently the difference between 3.3% of resource sales and 0.3% of paid-up capital).

		Previous	1 July 2006	1 July 2007	1 July 2008
General CCT Rate					
Existing Capital	(%)	0.6	0.3	0.15	-
New Capital	(%)	0.6	-	-	-
Provincial Crown Corporations (commercial entities only)	(%)	0.6	0.6	0.6	0.6
Financial Institutions					
< \$1 billion aggregate paid-up capital	(%)	0.7	0.7	0.7	0.7
> \$1 billion aggregate paid-up capital	(%)	3.25	3.25	3.25	3.25
CCT Resource Surcharge					
General Rate	(%)	3.6	3.3	3.1	3.0
4 th Tier Oil and Gas Rate	(%)	2.0	1.85	1.75	1.7

Provincial Sales Tax

The Provincial Sales Tax (PST) is a 6 percent 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.² 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.³

¹ For a more detailed explanation, please see Saskatchewan Finance (2002) Information Bulletin CT-1, *Calculation of Paid-Up Capital* [<http://www.gov.sk.ca/finance/revenue/cct/bulletins/ct01.pdf>].

² For a complete listing of taxable services, please see the Saskatchewan Finance website [<http://www.gov.sk.ca/finance/revenue/pst/questions.htm#1>].

³ For more information, please see Saskatchewan Finance (2002) Information Bulletin PST-21, *Information for Manufacturers* [<http://www.gov.sk.ca/finance/revenue/pst/bulletins/pst21.pdf>].

Federal and Provincial Tax Comparison

		CDA	SK	BC	AB	MB	ON	QC	NB	NS	PE	NL
Corporate Income Tax Rate	(%)	22.12 ¹	14	12	10	14.5	14	9.9	13	16	16	14
M&P Rate	(%)	22.12	10 ²	12	10	14.5	12	9.9	13	16	16	5
Small Business Rate	(%)	12 ³	5	4.5	3	4.5	5.5	8.5	1.5	5	5.4	5
Small Business Threshold	(\$K)	300	400	400	400	400	400	400	475	400	300	300
Corporate Capital Tax Rate	(%)	-	0.0 to 0.3 ⁴	-	-	0.3 to 0.5 ⁵	0.3	0.53	0.25	0.25 to 0.50 ⁶	-	-
CCT Exemption	(\$M)	-	20 ⁷	-	-	5	10	1	5	5 ⁸	-	-
Financial Institution CCT	(%)	1.25 ⁹	0.7 to 3.3 ¹⁰	-	-	3	0.6 to 0.9 ¹¹	1.3 ¹²	3 ¹³	4	5 ¹⁴	4 ¹⁵
Sales Tax Rate	(%)	6	6	7	-	7	8	7.5 ¹⁶	8 ¹⁷	8 ¹⁸	10 ¹⁹	8 ²⁰
Payroll Tax Rate	(%)	- ²¹	-	- ²²	- ²³	2.15 ²⁴	1.95 ²⁵	2.7 to 4.26 ²⁶	-	-	-	2 ²⁷

*Rates effective July 1, 2006. Announced changes to rates in subsequent years are not included.

¹ Effective rate after 10% provincial abatement, 7% general reduction and 4% federal surtax.

² Can be as low as 10% depending on the proportion of income allocated to Saskatchewan by the corporation and any associated companies.

³ Including the 4% federal surtax, the effective small business rate is 13.12%.

⁴ New capital investment is exempt from CCT. The 0.3% rate applies to existing taxable capital.

⁵ Applicable rate is 0.3% for paid-up capital over \$5M but less than \$20M; over \$20M the rate is 0.5%.

⁶ Under \$10M the rate is 0.50%; over \$10M the rate of 0.25% applies.

⁷ This represents the maximum exemption available. Basic exemption of \$10M for all corporations with up to an additional \$10M exemption available depending on the proportion of salaries and wages paid in Saskatchewan.

⁸ No exemption for paid-up capital over \$10M.

⁹ On taxable capital over \$1B.

¹⁰ 0.7% rate applies to financial institutions with paid-up capital under \$1B; 3.25% rate for financial institutions with taxable capital over \$1B.

¹¹ 0.6% rate applies to first \$400M of taxable capital; amount over \$400M is taxed at 0.9% rate. Non-deposit-taking institutions are taxed at the rate of 0.72% on paid-up capital over \$400M.

¹² Includes a base capital tax rate of 1.05% and a compensatory tax on paid-up capital of 0.25%. There is no exemption for financial institutions.

¹³ Exemption of \$10M.

¹⁴ On capital in excess of \$2M.

¹⁵ The first \$5M is exempt for companies with paid-up capital in excess of \$10M.

¹⁶ The QST of 7.5% is calculated after the GST has been applied, for an effective rate of 7.95%. QST is harmonized with federal GST, but the Ministère du Revenu du Québec administers the GST/HST in Québec.

¹⁷ Harmonized with federal GST.

¹⁸ Harmonized with federal GST.

¹⁹ 10% rate is applied after GST, giving an effective rate of 10.6%.

²⁰ Harmonized with federal GST.

²¹ There are mandatory employer contributions for Employment Insurance and Canada Pension Plan based on employees' taxable income.

²² B.C. levies a monthly Medical Services Plan premium ranging from \$54 for a single person (\$648 per year) to \$108 for a family of three or more (\$1,296 per year). While not a payroll tax *per se*, it is often paid by employers on behalf of their employees.

²³ Alberta levies a monthly Health Care Insurance Plan premium of \$44 for single coverage (\$528 per year) or \$88 for family coverage (\$1,056 per year). While not a payroll tax *per se*, it is often paid by employers on behalf of their employees.

²⁴ Payroll below \$1M is exempt from payroll tax. Between \$1M and \$2M the rate is calculated as 4.3% of the amount over \$1M. Payrolls over \$2M are taxed at the rate of 2.15% of the entire payroll.

²⁵ 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%.

²⁶ The rate for payrolls up to \$1M is 2.7%; between \$1M and \$5M the rate gradually increases to 4.26%. At \$5M total payroll and above, the rate is 4.26%.

²⁷ Basic exemption of up to \$600K total payroll. For payroll over \$700K, the exemption is reduced to \$500K.