



Tax-system review can help ALL Manitobans prosper

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The past two years have been difficult for all Manitobans as the pandemic created numerous economic challenges for thousands of businesses in the province.

On top of that, workforce shortages, supply-chain challenges, increased costs, rising inflation and interest rates have resulted in the recovery not occurring at the pace we need.

In today's globally competitive business environment, the Manitoba Chambers of Commerce believes it is imperative for government to create a climate that attracts new business and enables existing businesses to grow and thrive in Manitoba. According to the 2021 Manitoba Business Outlook Survey, only 50% of small business owners believe Manitoba's business climate is competitive with other provinces.

Manitoba has been falling behind other provinces for 20 years – especially in the area of taxation. As the demand for skilled workers grows, Manitoba must take a generational look at how we can compete with other provinces. Other provinces have capitalized on areas where they can make the biggest impact on attracting workers, and it has left Manitoba playing catchup.

It's one of the reasons why the Manitoba



Chambers of Commerce has had long-standing policy calling on the provincial government to undertake a review of the tax structure (both personal and corporate), focused on examining:

- Implementation of long-term provincial strategies to provide the business community with confidence and certainty that tax reduction is a priority, and
- Setting a target of putting Manitoba's tax levels and provincial tax threshold levels in the top three "most competitive" provinces.

It has been decades since the Manitoba

government undertook a tax-system review. And here is why it's important.

When looking at tax rates, the one that impacts all Manitobans is the Basic Personal Exemption (BPE), which is the amount of income an individual can earn before they are subject to personal income tax. In the most recent provincial budget, the province raised Manitoba's BPE to \$10,145. This is well behind the rate set in Ontario (\$11,141), British Columbia (\$11,302) Saskatchewan (\$16,615) and Alberta (\$19,369).

Another area where there is room for significant improvement to be competitive with other jurisdictions is personal income tax rates and brackets. In Manitoba our lowest tax bracket is 10.8% and it ends at \$34,431. Meanwhile, in Saskatchewan the lowest tax bracket ends at \$46,773 and is 10.5%.

What is even more problematic from a competitive standpoint is that the highest tax bracket in Manitoba starts at \$74,417 and is 17.4%. Again, looking at our neighbour to the west, the top tax rate starts at \$144,639 and is only 14.5%.

With a highly mobile workforce and shortages across the country, having personal income tax rates that are competitive is essential.

There are some areas where Manitoba is competitive, such as the General Corporate tax rate which sits at 12%, the same as Saskatchewan and B.C., and behind only Ontario (at 11.5%) and Alberta (8%).

When it comes to Small Business Tax, Manitoba leads the pack with a rate of 0% for businesses with income under \$500,000.

But on the flipside, business leaders have told us repeatedly the biggest barrier in Manitoba is the Health and Post-Secondary Education Tax Levy, better known as the payroll tax. Among the provinces, only Ontario and Manitoba charge a payroll tax. This tax is imposed on all employers with a payroll of \$1.75 million (scheduled to increase to \$2 million on January 1, 2023) and they pay 2.15%. Many employers have indicated this tax is a disincentive to grow their business.

Now is the perfect time to focus on growing the Manitoba economy, and tax policy that supports the following three principles will help achieve that:

- Growth – The tax system should stimulate economic growth.
- Transparency – The tax system should be structured so that its intent can be clearly understood by the taxpayers and administered by authorities in an impartial and predictable manner.
- Accountability – The government must be publicly accountable to taxpayers for revenues it raises and expends.

The end results will leave more money in the pockets of all Manitobans, produce more jobs and create a more competitive businesses environment.



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