

BACKGROUND

INDEXATION OF SASKATCHEWAN'S PERSONAL INCOME TAX SYSTEM

Indexation for the 2017 Taxation Year

The Minister of Finance announced today an indexation factor of 1.4 per cent to be applied to the Saskatchewan personal income tax system for the 2017 taxation year. This factor fully indexes the 2017 Saskatchewan personal income tax system to the national inflation rate.

The dollar amounts that are subject to indexation and the adjustments that occurred on January 1, 2017 are described in the following table:

<i>Indexation Adjustments At 1.4%</i>		
<i>Effective January 1, 2017</i>		
	2016	2017
Income Tax Brackets:		
Second bracket	\$44,601	\$45,225
Third bracket	\$127,430	\$129,214
Tax Credit Amounts:		
Basic personal	\$15,843	\$16,065
Spousal/Equivalent	\$15,843	\$16,065
Senior supplement	\$1,274	\$1,292
Dependent child	\$6,010	\$6,094
Age	\$4,826	\$4,894
Disability	\$9,334	\$9,464
Disability supplement	\$9,334	\$9,464
Infirm dependant	\$9,334	\$9,464
Caregiver	\$9,334	\$9,464
Medical expense threshold	\$2,237	\$2,268

Impact of Indexation

Indexation protects taxpayers from “bracket creep,” or automatic increases in tax caused by inflation. Indexation preserves the real value of the personal tax credits and the income tax brackets, since these also rise with inflation. Indexation therefore provides the most benefit to taxpayers who are on fixed incomes, such as pensioners.

Previous Years

Since 2004, the Saskatchewan income tax system has been fully indexed to the national rate of inflation.

Saskatchewan Indexation Factors	
Tax Year	Indexation Factor
2004	3.3%
2005	1.7%
2006	2.2%
2007	2.2%
2008	1.9%
2009	2.5%
2010	0.6%
2011	1.4%
2012	2.8%
2013	2.0%
2014	0.9%
2015	1.7%
2016	1.3%
2017	1.4%

DISTRIBUTION OF TAX CUTS

The following table presents the combined income tax reductions and income tax benefit announcements since 2008 for illustrative Saskatchewan families.

Distribution of Tax Savings and Benefit Improvements			
	2008 thru 2016 Income Tax Reductions¹	2017 Indexation Savings²	Total Annual Savings
Families with two children:			
Couple at \$50,000	\$2,677	\$17	\$2,694
Couple at \$75,000	\$2,409	\$75	\$2,484
Individuals:			
Single Person at \$25,000	\$913	\$28	\$941

Notes:

- Income tax reduction attributable to: October 21, 2008 announcement for the 2008 taxation year which increased the basic and spousal personal tax credit amounts generally by \$4,000 each and the Saskatchewan dependent child amount by \$2,000 per child; as well as the 2011-12 Budget which increased the basic and spousal personal tax credit amounts generally by \$1,000 each and the Saskatchewan dependent child amount by \$500 per child. Reduction also includes Low-Income Tax Credit savings from the October 21, 2008 announcement which renamed the tax credit and enhanced benefits retroactive for 2008. Reduction also includes indexation savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016.
- Column for 2017 indexation indicates savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2017, as well as the indexation of the Saskatchewan Low-Income Tax Credit benefits and family income thresholds.