

Meeting The Challenge

Provincial Budget 2017-18

TAX CHANGES SINCE 2007

Over the past ten years, the Government has made significant cuts to personal income taxes and reduced the Provincial Sales Tax (PST) paid by families.

The 2017-18 Budget further improves Saskatchewan's tax competitiveness by reducing income tax rates, while also increasing and expanding the PST to address the current fiscal challenge; ensuring that taxes remain fair and competitive.

The overall impact of Saskatchewan's personal income tax reductions far outweighs the impact of the PST increases introduced in this Budget.

- For a family of four earning \$100,000, the PST increases amount to \$711 while the income tax reductions total \$2,662, for a total tax savings relative to 2007 of \$1,951.
- For a single person earning \$40,000, the PST increases amount to \$130 (net of the Low-Income Tax Credit enhancements) while the income tax reductions total \$879, for a total tax savings relative to 2007 of \$749.

BACKGROUND

Personal Income Tax

- The personal income tax reductions introduced since 2007 have removed almost 112,000 Saskatchewan residents from the provincial income tax roll. In total, these reductions are providing approximately \$500M in income tax savings to Saskatchewan residents in 2017.
 - In 2008, provincial **disability-related income tax credits** were significantly increased, including a doubling of the Caregiver and Infirm Dependant Tax Credit amounts, along with increases to the Disability Tax Credit amount and the Supplement amount for disabled children.
 - In 2008, basic and spousal income tax **exemption amounts** were increased by \$4,000 and the exemption for dependent children was increased by \$2,000 per child. In 2011, a further \$1,000 increase to the basic and spousal income tax exemption amounts and a \$500 per child increase to the exemption for dependent children were made.
 - In 2008, the refundable **Saskatchewan Low-Income Tax Credit** was significantly enhanced, the **Graduate Retention Program** was introduced, and the **Mineral Exploration Tax Credit** was re-introduced.
 - In 2012, a \$1,100 tax credit for **first-time homebuyers** was introduced.

- The 2017-18 Budget reduces taxes for every Saskatchewan income tax payer at every level of income by reducing Saskatchewan's three **personal income tax rates** by a half-point effective July 1, 2017 and another half-point effective July 1, 2019. These reductions, which will save Saskatchewan taxpayers over \$258M once fully implemented, will help to foster greater productivity and investment within the provincial economy.
 - To help address the fiscal challenge, the Budget eliminates the tax credits in respect of post-secondary **education and tuition** expenses effective July 1, 2017, but maintains the Graduate Retention Program which rebates up to \$20,000 of tuition fees for graduates.
 - The Budget also eliminates the **Employee's Tools Tax Credit** (effective for the 2017 taxation year), which duplicated an existing federal tax deduction, and reduces the rate of the **Labour-sponsored Venture Capital Tax Credit** from 20% to 15% (effective for the 2018 taxation year).
 - The Budget also suspends **indexation** of the tax system until the Province's finances improve.

Provincial Sales Tax

- Effective November 8, 2007, the Provincial Sales Tax (PST) on previously-taxed light **vehicles** was removed, providing an estimated annual tax saving of over \$100M.
- Effective July 1, 2015, the PST on **feminine hygiene products** was removed, providing an estimated annual tax saving of \$1.7M.
- Effective September 1, 2016, the PST on **precious metals**, including gold, silver and platinum that meet purity thresholds, was removed when purchased as a form of financial instrument.
- The 2017-18 Budget increases the **PST rate** from 5% to 6%, effective March 23, 2017, to address the Government's fiscal challenge. As in the past, the rate can be lowered when the Province's finances improve.
- The 2017-18 Budget also eliminates a number of PST exemptions that no longer serve their intended purpose and are not fair to all taxpayers. However, the Budget maintains many of the current PST exemptions for basic necessities, including basic groceries, heating fuels, residential electricity, prescription drugs and reading materials.
 - The Budget eliminates the PST exemptions for **children's clothing** and **restaurant meals and snack foods**. The PST exemption for used cars is maintained, but the **value of a trade-in** will no longer be deductible in determining the PST on the purchase of vehicles that are new or have not been previously taxed in Saskatchewan. These measures are effective April 1, 2017.
 - The PST base is expanded to **insurance premiums** effective for premium payment due dates on or after July 1, 2017. This includes all life, accident and health insurance; all property, vehicle, liability and casualty insurance; as well as all agricultural insurance. The tax will apply where the insured is resident in Saskatchewan or the premiums are paid in respect of property located in Saskatchewan. Expanding the PST to all types of insurance from all insurance providers will ensure fairness in its application to all consumers and businesses.
 - The Budget reforms the taxation of **contracts for the repair, renovation or improvement of real property**. New contracts entered into on or after April 1, 2017 will be subject to PST on the total contract price to the purchaser. However, contractors will now be eligible to acquire tax-free building materials for use in fulfilling a contract. This change removes the distinction for PST purposes that has existed between contracts relating to real property and those relating to tangible personal property, simplifying the PST rules for contractors and their customers. This change will also benefit contractors by improving their cash flow and improving their competitiveness in bidding for jobs both inside and outside Saskatchewan.

- The Budget provides a \$34M enhancement to the refundable **Saskatchewan Low-Income Tax Credit** effective July 1, 2017 in order to mitigate the impact of the PST changes for lower-income residents.

IMPACT OF TAX CHANGES

The following tables illustrate the impact of the personal income tax reductions implemented since 2007, as well as the impact of PST changes and the Saskatchewan Low-Income Tax Credit enhancements. In all cases, the personal income tax reductions are significantly greater than the PST increases. And the personal income tax reductions will grow over the next three years as the tax rate reductions are phased in.

COMBINED INCOME TAX AND PST INCIDENCE ON SASKATCHEWAN RESIDENTS SINGLE PERSON AT \$40,000 TOTAL INCOME			
	2007	2017	Reduction from 2007 to 2017
Personal Income Tax	\$3,188	\$2,309	(\$879)
Provincial Sales Tax	\$500	\$748	+\$248
SK Low-Income Tax Credit	\$0	(\$118)	(\$118)
TOTAL SASK TAX	\$3,688	\$2,939	(\$749)

COMBINED INCOME TAX AND PST INCIDENCE ON SASKATCHEWAN RESIDENTS FAMILY OF 4 AT \$50,000 TOTAL INCOME			
	2007	2017	Reduction from 2007 to 2017
Personal Income Tax	\$2,302	\$0	(\$2,302)
Provincial Sales Tax	\$780	\$1,196	+\$416
SK Low-Income Tax Credit	\$0	(\$480)	(\$480)
TOTAL SASK TAX	\$3,082	\$716	(\$2,366)

COMBINED INCOME TAX AND PST INCIDENCE ON SASKATCHEWAN RESIDENTS FAMILY OF 4 AT \$75,000 TOTAL INCOME			
	2007	2017	Reduction from 2007 to 2017
Personal Income Tax	\$5,015	\$2,483	(\$2,532)
Provincial Sales Tax	\$1,081	\$1,727	+\$ 646
SK Low-Income Tax Credit	\$0	\$0	\$0
TOTAL SASK TAX	\$6,096	\$4,210	(\$1,886)

COMBINED INCOME TAX AND PST INCIDENCE ON SASKATCHEWAN RESIDENTS FAMILY OF 4 AT \$100,000 TOTAL INCOME			
	2007	2017	Reduction from 2007 to 2017
Personal Income Tax	\$7,991	\$5,329	(\$2,662)
Provincial Sales Tax	\$1,208	\$1,919	+\$711
SK Low-Income Tax Credit	\$0	\$0	\$0
TOTAL SASK TAX	\$9,199	\$7,248	(\$1,951)