

Graduate Tax Exemption

NEW GRADUATE TAX EXEMPTION

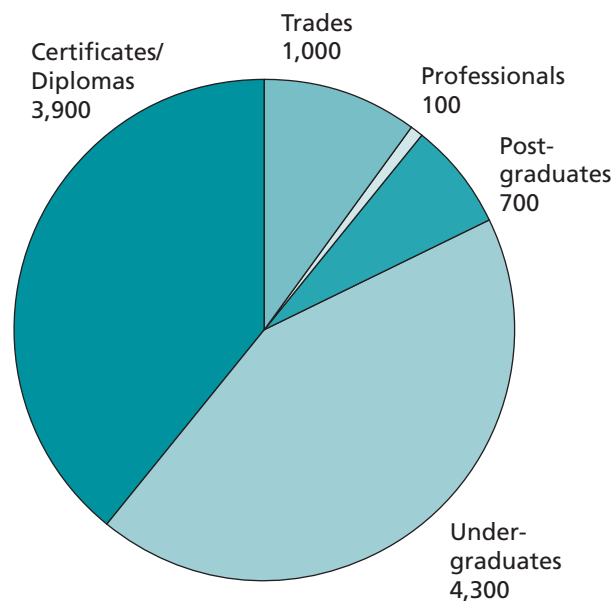
To improve the financial attractiveness for post-secondary graduates to remain in Saskatchewan, a five-year \$10,000 Graduate Tax Exemption is being introduced, beginning with the 2007 taxation year. The existing one-year Post-Secondary Graduate Tax Credit (PSGTC) will not be extended past 2006.

This new initiative creates a fundamental change in the provincial income tax system by increasing the amount of income earned by a graduate that will be exempt from tax by \$10,000 per year, or \$50,000 during the first five years following graduation. When combined with existing tax exemption amounts, this initiative ensures that new graduates will not pay provincial income tax on the first \$20,000 of earned income for each of the five years following graduation.

This exemption results in new graduates qualifying for a Saskatchewan tax reduction of \$1,100 per year, or \$5,500 in total over the full eligibility period, making Saskatchewan's tax system very competitive with other jurisdictions during the early years of a person's career development.

For those graduates that earn lower incomes during the initial years following graduation, an additional five-year carry-forward period is available for unused tax exemption amounts.

It is expected that about 10,000 Graduate Tax Exemption certificates will be issued each year. About half will be issued to university graduates and half to graduates of technical programs and graduate apprentices.



TAX-FREE EARNINGS FOR GRADUATES

Saskatchewan Non-Refundable Tax Credit Amounts	2007	2008	2009	2010	2011
Basic Personal Exemption ¹	\$ 8,778	\$ 8,954	\$ 9,133	\$ 9,315	\$ 9,502
Graduate Tax Exemption	10,000	10,000	10,000	10,000	10,000
CPP Contribution/EI Premium ²	1,177	1,177	1,177	1,177	1,177
Tax-Free Earnings	\$ 19,955	\$ 20,131	\$ 20,310	\$ 20,492	\$ 20,679

¹ Assumes an annual indexation factor of two per cent.

² Amount based on \$20,000 of employment income.

PROGRAM OPERATION

Graduates will be eligible for the new exemption if they successfully complete an approved post-secondary program after 2006. Eligible programs must be at least six months in duration and must:

- result in a certificate, diploma, or degree; or
- provide certification to journeypersons.

To ensure an effective transition between this new program and the previous PSGTC, individuals who graduated in 2006, and who received the \$850 PSGTC, will also be eligible to claim the new exemption for the 2007 through 2010 tax years.

As with the current PSGTC, it is anticipated that most Saskatchewan post-secondary educational institutions will apply for the Graduate Tax Exemption certificate on behalf of their students, allowing the Government to automatically issue the certificates. Graduates from out-of-province schools will also be eligible, but will have to apply to the Government for the exemption certificate.

To claim the additional exemption for tax purposes, a graduate must submit a Graduate Tax Exemption certificate with their annual Saskatchewan income tax return.

Eligible graduates will receive five \$10,000 exemption certificates. Each of the five certificates will be dated – the first to be filed in the taxation year of graduation, the second to be filed the next tax year, the third to be filed in the following tax year and so on.

Individuals will not be permitted to qualify under this program more than once in a lifetime, although individuals who benefited from the previous PSGTC prior to 2006 are eligible to earn the Graduate Tax Exemption if they successfully graduate from a new eligible program.

In addition, the exemption certificate can only be used by the graduate to whom it was issued; it cannot be transferred to a parent or spouse. However, any unused portion of each year's exemption amount can be carried forward for a maximum of five additional tax years, providing a graduate a 10-year window in which to claim the exemption.

For further information, please contact:

Saskatchewan Finance
Taxation and Intergovernmental Affairs Branch
1-800-667-6102 or
306-787-6722