

BACKGROUND

INDEXATION OF SASKATCHEWAN'S PERSONAL INCOME TAX SYSTEM

Indexation for the 2013 Taxation Year

The Minister of Finance announced today an indexation factor of 2.0 per cent to be applied to the Saskatchewan personal income tax system for the 2013 taxation year. This factor fully indexes the 2013 Saskatchewan personal income tax system to the national inflation rate.

The dollar amounts that are subject to indexation and the adjustments that will occur on January 1, 2013 are described in the following table:

<i>Indexation Adjustments At 2.0%</i> <i>Effective January 1, 2013</i>		
	2012	2013
Income Tax Brackets:		
Second bracket	\$42,065	\$42,906
Third bracket	\$120,185	\$122,589
Tax Credit Amounts:		
Basic personal	\$14,942	\$15,241
Spousal/Equivalent	\$14,942	\$15,241
Senior supplement	\$1,202	\$1,226
Dependent child	\$5,668	\$5,782
Age	\$4,552	\$4,643
Disability	\$8,803	\$8,979
Disability supplement	\$8,803	\$8,979
Infirm dependant	\$8,803	\$8,979
Caregiver	\$8,803	\$8,979
Medical expense threshold	\$2,109	\$2,152

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.

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 through 2012 Income Tax Reductions¹	2013 Indexation Savings²	Total Annual Savings
Families with two children:			
Couple at \$50,000	\$2,595	\$127	\$2,722
Couple at \$75,000	\$2,386	\$107	\$2,493
Individuals:			
Single Person at \$25,000	\$801	\$38	\$839

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;
 - 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;
 - Low-Income Tax Credit savings from the October 21, 2008 announcement which renamed the tax credit and enhanced benefits retroactive for 2008;
 - Indexation savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2009, 2010, 2011 and 2012;
 - The Active Families Benefit effective January 1, 2009 which provides an annual refundable tax benefit of up to \$150 per child to assist families with the costs associated with their children participating in cultural, recreational and sports activities.
- Column for 2013 indexation indicates savings associated with the indexation of the Saskatchewan income tax system (income brackets and non-refundable tax credits) for 2013, as well as the indexation of the Saskatchewan Low-Income Tax Credit benefits and family income thresholds.