Provincial Budget Roundup, 2001

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PRÉCIS

Les budgets des provinces et des territoires pour l'exercice 2001-2002 ont été déposés entre le 15 février et le 9 mai 2001.

La plupart des provinces ont présenté un budget équilibré ou excédentaire; seules celles de Terre-Neuve, de l'Île-du-Prince-Édouard et de la Nouvelle-Écosse ont annoncé un déficit pour l'exercice 2000-2001.

Cette année, les budgets comprenaient des modifications aux taux d'imposition des particuliers pour 2001. Deux provinces, soit le Québec et la Colombie-Britannique, ont réduit les taux d'imposition des particuliers, pour toutes les tranches de revenu, tandis que le Nouveau-Brunswick et le Manitoba ont accordé des réductions ciblées pour des tranches précises de revenu. La plupart des provinces, dont le Nouveau-Brunswick, l'Ontario, le Manitoba, la Saskatchewan, l'Alberta et la Colombie-Britannique, ont réduit le taux d'imposition général des sociétés ou les taux accordés aux petites entreprises. Trois provinces, soit le Nouveau-Brunswick, l'Ontario et l'Alberta, ont également augmenté le montant du revenu déterminant l'admissibilité au taux préférentiel accordé aux petites entreprises.

Pour l'année d'imposition 2001, toutes les provinces et les Territoires du Nord-Ouest seront passés du régime d'imposition fondé sur l'impôt fédéral à un régime fiscal fondé sur le revenu gagné dans la province ou dans le territoire. Cette année, les provinces de Terre-Neuve et Labrador, de l'Île-du-Prince-Édouard, de la Saskatchewan et de l'Alberta, et les Territoires du Nord-Ouest ont également adopté ce régime, comme l'avaient fait en 2000 les provinces de la Nouvelle-Écosse, du Nouveau-Brunswick, de l'Ontario, du Manitoba et de la Colombie-Britannique. Seul le Territoire du Yukon et Nunavit continue de lever l'impôt des particuliers en vertu de l'ancien régime fiscal fondé sur l'impôt fédéral.

ABSTRACT

The 2001-2 provincial and territorial budgets were brought down between February 15 and May 9, 2001.

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Most of the provinces have either balanced their budgets or are in a surplus position: only Newfoundland, Prince Edward Island, and Nova Scotia announced a deficit for the 2000-1 fiscal year.

This year's budgets contained a number of changes to personal tax rates for 2001. Two provinces, Quebec and British Columbia, reduced tax rates for taxpayers at all income levels, while New Brunswick and Manitoba provided targeted tax rate reductions only in specific tax brackets. Most of the provinces, including New Brunswick, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia, reduced their general corporate or small business tax rates, while three of them, New Brunswick, Ontario, and Alberta, also provided an increase in the income threshold for eligibility for the preferential small business tax rate.

As of the 2001 taxation year, all the provinces and the territories moved from a tax-on-federal-tax system to a provincial or territorial tax-on-income system. This year Newfoundland and Labrador, Prince Edward Island, Saskatchewan, Alberta, the Northwest Territories, the Yukon Territory, and Nunavut made that move, joining Nova Scotia, New Brunswick, Ontario, Manitoba, and British Columbia, which had already made the changeover in 2000. **Keywords:** Budgets; corporate income taxes; personal income taxes; provincial income taxes; tax rates.

INTRODUCTION

2001 marks the first year in which all the provinces and territories levy personal income tax under a provincial tax-on-income rather than a tax-on-federal-tax system. Nunavut and Yukon Territory issued post-budgetary announcements indicating that they will make the move to a tax-on-income regime for 2001. The Northwest Territories' budget papers indicate that a personal tax-on-territorial income system will be put in place, beginning with the 2003 taxation year. A post-budget announcement made by way of press release indicated that the NWT changeover will be brought forward to the 2001 taxation year.

Overall, few significant changes to the provincial personal income tax systems were announced in this year's budgets: the announced changes, particularly those to the new provincial tax-on-income systems, were in the nature of fine tuning. Several provinces moved to match the federal increases to certain personal credits announced in last October's federal mini-budget. Most provinces adjusted their personal income tax brackets for 2001 to reflect increases in the federal or provincial consumer price index. Some provinces announced small cuts in personal tax rates, and Alberta implemented its flat tax system as planned on January 1, 2001. Some of the tax rate changes are effective for 2001, while others are deferred until the 2002 taxation year.

The trend toward reductions in provincial corporate tax rates continues, as New Brunswick, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia reduced their general corporate or small business rates for 2001. Some of the rate reductions were announced in this year's budgets, others were announced in previous budgets or by way of press release, to take effect in 2001.

Table 1 shows the federal, provincial, and territorial personal income tax rates for 2001 and table 2 outlines the 2001 corporate income tax, retail sales tax, tobacco tax, and gasoline tax rates for the provinces and territories. Table 3 summarizes the real economic growth in the provincial economies between 2000 and 2002.

Most provinces have now balanced their budgets or are in a surplus position. The financial positions of the provinces and territories, as presented in their 2001 budgets, are summarized in table 4.

NEWFOUNDLAND AND LABRADOR

The 2001-2 Newfoundland budget brought down on March 22 by Minister of Finance Joan Marie Aylward included an increase in the threshold for the province's health and post-secondary education (payroll) tax, the fourth such increase since 1998. The province posted a deficit of $32.8 million for the fiscal year ended March 31, 2001 (see table 5). The only personal tax change contained in the budget was an increase in the seniors' benefit paid by the province.

As announced by press release in November 1999, the province adopted a personal tax-on-income system for the 2001 and subsequent taxation years.

Tax Changes

Effective April 1, 2001, the threshold for imposition of the provincial payroll tax is increased from $400,000 to $500,000. Because the change is being implemented part way through the calendar year, the actual threshold for the 2001 taxation year is $475,000. The payroll tax rate is unchanged at 2.0 percent.

Newfoundland provides low-income seniors (those with up to $14,000 in net family income) in the province with an annual benefit of $200. For 2001 and subsequent years, the amount of the benefit is increased to $300.

In last year's budget, the minister indicated that Newfoundland would be developing tax credit incentive programs to assist small businesses in the province obtain capital. Last October the government announced the creation of two such programs: the direct equity tax credit program and the labour-sponsored venture capital tax credit program. The former will provide private investors in the province with a 20 percent tax credit for direct investments in eligible businesses on North East Avalon. A 35 percent credit is provided for direct investments in eligible businesses elsewhere in the province. The credit is available for qualifying investments made after October 29, 2000. Fewer details were provided on the labour-sponsored venture capital tax credit program: the announcement indicates only that there will be a 15 percent provincial credit in addition to the existing 15 percent federal credit allowed to individuals who invest in an eligible venture capital corporation sponsored by a labour group.

Table 1 Provincial, Territorial, and Federal Personal Income Tax Rates, 2001

	First bracket	Second bracket	Surtax	Third bracket	Surtax	Fourth bracket	Fifth bracket
Newfoundland							
Threshold	$0	$29,590		$59,180	$60,050		
Rate	10.57%	16.16%		18.02%	19.64%		
Prince Edward Island							
Threshold	$0	$30,754	$53,550	$61,510			
Rate	9.8%	13.8%	15.18%	18.37%			
Nova Scotia							
Threshold	$0	$29,590		$59,180	$80,925		
Rate	9.77%	14.95%		16.67%	18.34%		
New Brunswick							
Threshold	$0	$30,754		$61,510		$100,000	
Rate	9.68%	14.82%		16.52%		17.84%	
Quebec							
Threshold	$0	$26,000		$52,000			
Rate	17%	21.25%		24.5%			
Ontario							
Threshold	$0	$30,814	$55,250	$61,629	$64,700		
Rate	6.2%	9.24%	11.09%	13.39%	17.41%		
Manitoba							
Threshold	$0	$30,544		$61,089			
Rate	10.9%	16.2%		17.4%			
Saskatchewan							
Threshold	$0	$30,000		$60,000			
Rate	11.5%	13.5%		16%			
Alberta							
Threshold	$0						
Rate	10%	10%		10%			
British Columbia							
Threshold	$0	$30,484		$60,969		$70,000	$85,000
Rate	7.3%	10.5%		13.7%		15.7%	16.7%

(Table 1 is concluded on the next page.)

Table 1 Concluded

	First bracket	Second bracket	Surtax	Third bracket	Surtax	Fourth bracket	Fifth bracket
Northwest Territories[a]							
Threshold	$0	$30,754		$61,510		$100,000	
Rate	7.2%	9.9%		11.7%		13.05%	
Nunavut[a]							
Threshold	$0	$30,754		$61,510		$100,000	
Rate	7.2%	9.9%		11.7%		13.05%	
Yukon							
Threshold	$0	$30,754		$61,510	$78,300	$100,000	
Rate	7.36%	10.12%		11.96%	12.56%	14.01%	
Federal							
Threshold	$0	$30,754		$61,510		$100,000	
Rate	16%	22%		26%		29%	

[a] The brackets and rates assume an arithmetic change from a tax-on-base system to a tax-on-income system. No details were available at the time of publication.

Table 2 Main Provincial Tax Rates, 2001

	Corporate income tax rates					
	Small business rate,[a] % of income	Pref. rate for large corps., % of income	Top rate, % of income	Retail sales tax, %	Tax on cigarettes, cents/cig.	Tax on gasoline, cents/litre
Newfoundland[b]	5	5	14	8	11.00	16.5
Prince Edward Island	7.5	7.5	16	10	7.95	13
Nova Scotia[b]	5	16	16	8	8.72	13.5
New Brunswick[b]	4	16	16	8	6.00	10.7
Quebec	9.04	9.04	16.51	7.5	6.30	15.2
Ontario	6.5	12.5	14	8	3.65	14.7
Manitoba[a]	6	17	17	7	9.60	11.5
Saskatchewan	7	10	17	6	8.60	15
Alberta	5.3	13.9	13.9		7.00	9
British Columbia[c]	4.5	16.5	16.5	7	11.00	11
Northwest Territories	5	14	14		13.60	10.7
Nunavut	5	14	14		12.60	10.7
Yukon	6	2.5	15		8.20	6.2

[a] Some provinces provide tax holidays for new small businesses. [b] Provincial component of harmonized sales tax. [c] Tax on gasoline in Vancouver area is 15 cents per litre and in Victoria area, 13.5 cents per litre.

Table 3 Real Economic Growth in Provincial Economies, 2000 to 2002

	2000, preliminary	2001, forecast	2002, forecast
		percentage change	
Newfoundland	5.4	2.9	7.0
Prince Edward Island	3.2	2.3	3.1
Nova Scotia	2.5	2.2	2.8
New Brunswick	4.3	1.6	2.7
Quebec	4.0	2.0	3.2
Ontario	5.1	1.7	3.4
Manitoba	3.0	2.2	2.9
Saskatchewan	3.4	2.5	3.1
Alberta	5.6	4.0	3.8
British Columbia	3.2	2.1	3.0
National average	4.5	2.2	3.3

Source: TD Quarterly Economic Forecast, March 28, 2001. Toronto Dominion Bank (tdbank.ca/tdeconomics/economic_forecasts).

Newfoundland has moved to a personal tax-on-income system for the 2001 and subsequent taxation years. The tax rates and brackets for 2001 are as follows:

Tax bracket	*Tax rate*
$0-$29,590	10.57%
$29,591-$59,180	16.16%
Over $59,180	18.02%

Newfoundland also imposes a 9 percent surtax on provincial tax over $7,032.

PRINCE EDWARD ISLAND

The Prince Edward Island 2001-2 budget brought down by Minister of Finance Patricia Mella on March 29, 2001 was one of the few to announce a deficit for the 2000-1 taxation year. The minister was, however, able to project a small operating surplus for the upcoming 2001-2 fiscal year (see table 6).

Tax Changes

No new tax changes were announced in the budget. As stated in the 2000 budget, the province has moved, for the 2001 and subsequent taxation years, to a personal tax-on-income system. Provincial rates and brackets for the 2001 taxation year are set out below.

Taxable income	*Tax rate*
$7,412-$30,754	9.8%
$30,755-$61,509	13.8%
Over $61,509	16.7%

Table 4 Financial Summary of 2001 Provincial Budgets

	Total revenue	Own-source revenue	Federal transfers	Combined spending	Debt charges	Program spending	Adjusted surplus or deficit (−) 2000-1	Adjusted surplus or deficit (−) 2001-2
	percentage change						*$ million*	
Newfoundland	5.7	10.5	−0.7	5.5	−0.3	6.7	−148.7	−146.5
Prince Edward Island	0.6	−1.4	3.7	−0.2	5.4	−0.9	−6.7	1.6
Nova Scotia	2.7	2.7	2.6	0.5	−4.9	2.0	−198.9	−90.7
New Brunswick	4.4	6.1	1.6	4.4	3.3	4.6	−33.1	34.8
Quebec	0.5	−2.5	16.0	1.5	3.2	1.1	500.0	—
Ontario	−1.1	−3.1	18.1	3.8	−0.9	4.6	3,192.0	140.0
Manitoba	0.6	0.6	0.6	1.7	−11.9	2.9	26.0	−50.0
Saskatchewan	−11.1	−16.0	20.4	5.8	−3.5	7.0	839.5	−260.9
Alberta	−10.7	−12.9	18.7	10.1	−25.0	12.0	5,549.0	817.0
British Columbia	0.6	0.6	0.7	1.6	−6.1	1.9	1,317.0	1,090.0
Northwest Territories	0.9	4.0	−0.7	3.6	—	3.6	23.3	1.7
Nunavut	5.5	−1.6	6.1	—	—	—	−69.5	−34.8
Yukon	0.9	−6.2	3.0	−0.9	—	−0.9	−33.8	−24.1
National average or total	−1.6	−3.8	10.6	3.5	−1.2	4.1	11,022.3	1,478.0

— nil.

Table 5 Financial Highlights—Newfoundland[a]

	2001-2 (est.)	2000-1 (prelim.)
	millions of dollars	
Current account		
Gross revenue	3,815.7	3,610.1
Gross expenditure	3,721.6	3,497.2
Surplus or deficit (–)	94.2	112.8
Capital account		
Gross revenue	146.3	137.4
Gross expenditure	271.0	282.9
Deficit (–)	–124.7	–145.5
Combined surplus or deficit (–)	–30.5	–32.8
Debt redemption and sinking fund	174.5	178.5
Pension contributions	116.0	116.0
Total borrowing requirements	321.0	327.3
Main revenue sources		
Personal income tax	602.0	620.9
Corporate income tax	80.0	74.7
Sales tax	503.0	489.1
Gasoline tax	128.0	125.0
Federal government transfers		
Equalization	1,163.3	1,153.2
Canada health and social transfer	336.3	338.7
Shared-cost programs	79.7	67.5
Sales tax assistance		31.0
Other	1.8	1.8
Principal expenditure functions, net		
Education	736.0	695.8
Health and community services	1,401.7	1,298.0
Public works and transportation	175.1	171.2
Debt expenses	567.4	569.2

[a] The data for 1999-2000 are not available.

Prince Edward Island continues to levy a surtax equal to 10 percent of provincial tax over $5,200.

NOVA SCOTIA

Nova Scotia's 2001-2 budget was brought down on March 29, 2001 by Finance Minister Neil LeBlanc. Although the province posted a deficit of $199 million for the 2000-1 fiscal year, the deficit is actually lower than originally forecast, as shown in table 7.

In its 1999 budget, Nova Scotia announced that it would carry out a two-year review of its personal and corporate tax credit programs. The second phase of

Table 6 Financial Highlights—Prince Edward Island

	2001-2 (est.)	2000-1 (prelim.)	1999-2000[a]
		millions of dollars	
Current account			
Total revenue	935.8	929.0	871.9
Total expenditure	930.2	931.1	862.7
Surplus or deficit (–)	5.6	–2.1	9.2
Capital account			
Total revenue	0.4	1.0	5.3
Total expenditure	29.0	30.1	45.6
Deficit (–)	–28.5	–29.1	–40.3
Combined surplus or deficit (–)	–22.9	–31.2	–31.1
Non-budgetary transactions			
Sinking fund interest	21.6	22.0	23.2
Pension plan adjustment	3.0	2.5	2.5
Change in net debt	1.6	–6.7	–5.4
Main revenue sources			
Personal income tax	153.6	141.2	
Corporate income taxes	28.5	36.5	
Retail sales taxes	156.4	153.3	
Property taxes	46.3	44.7	
Federal government transfers			
Equalization	275.0	269.7	
Canada health and social transfer	87.8	75.2	
Other	36.2	39.9	
Principal expenditure functions			
Health and social services	312.9	307.9	
Education	183.4	177.6	
Transportation and public works	92.4	97.8	
Public debt charges	108.5	102.9	

[a] Details for 1999-2000 are not available on a comparable basis.

that review process has now been completed. This year's budget contained a series of announcements with respect to those credits.

Tax Changes

Nova Scotia provides an equity tax credit program, under which eligible investors may receive a 30 percent non-refundable tax credit for investments in eligible small businesses, cooperatives, and community economic development funds. The equity tax credit program was to have expired on December 31, 2001. It has been extended to the end of 2003.

The province also provides individuals with a 15 percent non-refundable credit for investments in registered labour-sponsored venture capital corporations.

Table 7 Financial Highlights—Nova Scotia

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
		millions of dollars	
Total revenue	5,134.8	5,044.5	4,784.3
Total expenditure	5,233.5	5,206.2	5,121.2
Surplus or deficit (–)	–98.7	–161.7	–336.9
Net profit or loss (–) from government businesses	8.0	–37.2	234.5
Other adjustments			–264.0
Sysco			–406.8
Combined surplus or deficit (–)	–90.7	–198.9	–773.2
Main revenue sources			
Personal income tax	1,250.8	1,228.7	1,144.9
Corporate income tax	200.9	169.2	149.4
Sales tax	845.7	804.3	754.8
Gasoline tax	215.5	209.1	219.4
Federal government transfers			
Equalization	1,394.0	1,395.5	1,279.6
Canada health and social transfer	560.2	526.1	527.9
Prior year's adjustments		–17.8	–47.0
Sales tax assistance			52.7
Other	2.3	2.3	4.4
Principal expenditure functions			
Education, net	1,092.6	1,078.6	1,172.2
Health, net	1,904.1	1,805.1	1,797.4
Social services, net	589.9	560.2	571.7
Transportation, net	191.4	194.2	181.6
Debt expenses, gross	1,043.4	1,097.3	975.8

Investors can receive a provincial credit of up to $525 per year; in addition, a federal credit of up to $750 is available on the same investment. The required holding period for such investments has been reduced, for provincial purposes, from four years to two. The government also indicated that it will be carrying out consultations with the investment community to determine whether the program, which is currently scheduled to expire on December 31, 2003, should be extended.

The tax credit program review also examined a number of harmonized sales tax credit programs. The budget papers indicate that the following programs will be allowed to continue unchanged:

- the provincial harmonized sales tax (HST) rebate for persons with disabilities purchasing modified passenger vehicles;
- the point-of-sale rebate on printed books, audio recordings of books, periodicals containing less than 5 percent advertising, and certain other publications; and

- the HST rebate allowed to volunteer and municipal fire departments on purchases of firefighting vehicles and heavy equipment, to a specified maximum.

Nova Scotia will continue to provide a rebate of the provincial portion of HST to purchasers of new homes in the province costing up to $150,000. However, the maximum house price on which the rebate can be calculated will be reduced to $100,000, and the rebate will be limited to first-time home buyers. The program changes will be effective January 1, 2002, and transitional rules will be put in place for homes currently under construction.

The only corporate tax credit affected by the budget announcements was the new small business tax credit. The province provides new small businesses with a three-year holiday from corporate income taxes. The tax holiday will continue to be offered with the following changes.

- The credit will be limited to companies with at least two employees, one of whom cannot be related to a shareholder of the firm.
- Applicants will be required to claim all possible corporate deductions and credits in the year prior to calculating the new small business tax deduction.
- Companies that have received a refundable tax credit for a given year will not qualify for the new small business deduction.
- Companies will have three years following the end of a taxation year to apply for the credit for that year.

Finally, the budget papers indicated that the province's tobacco tax will be increased sometime during 2001, but no details were provided. A subsequent announcement specified a combined federal-provincial increase of $4 per carton of cigarettes, effective April 6, 2001. Similar increases were imposed on tobacco sticks and fine-cut tobacco.

NEW BRUNSWICK

The New Brunswick budget brought down on March 27, 2001 by Minister of Finance Norman Betts contained good economic news for the province in the form of a greater than expected surplus for the fiscal year ended March 31, 2001 (see table 8). The province's economic performance allowed the minister to announce a cut in the general corporate and small business tax rates. The province, which moved to a personal tax-on-income system in 2000, eliminated its surtax for the 2001 and subsequent taxation years and replaced it with a new tax bracket.

Tax Changes

Until this year, New Brunswick levied a surtax of 8 percent of provincial tax over $13,500. That surtax is eliminated, effective January 1, 2001. The province's tax bracket and rate structure for 2001 and subsequent years is as follows:

Tax bracket	*Tax rate*
$0-30,754	9.68%
$30,755-61,509	14.82%
$61,510-100,000	16.52%
Over $100,000	17.84%

Effective with the 2001 taxation year, the province has indexed its non-refundable personal tax credits to the corresponding federal amounts. Consequently, certain of the provincial credits have been increased to match the corresponding federal amounts. The affected credits for 2001 are:

Tax credit	*Amount*
Disability	$6,000
Disabled dependants over 18	$3,500
Caregiver	$3,500
Education	
Full-time attendance	$ 400
Part-time attendance	$ 120

All New Brunswick credit amounts are converted to a credit at a rate of 9.68 percent, except the charitable donations tax credit. The first $200 of charitable donations are converted to a credit at the 9.68 percent rate and donations in excess of $200 are converted to a credit at a rate of 17.84 percent. The province's low-income tax reduction has been enhanced for the 2001 and subsequent taxation years.

The provincial capital gains inclusion rate has been reduced, like the federal rate, to 50 percent.

Effective January 1, 2001, the general corporate rate was reduced from 17 to 16 percent, the small business rate dropped from 4.5 to 4 percent, and the small business limit was increased from $200,000 to $300,000.

Finally, the budget papers indicated that the New Brunswick film tax credit will be enhanced and the program extended, but no other details were provided. As well, the province plans to introduce a new mineral exploration tax credit. The credit is equal to 18 percent of approved advance survey expenditures, and will be applied against any liability for the metallic minerals tax.

QUEBEC

Quebec's 2001-2 budget was brought down on March 29, 2001 by Minister of Finance Pauline Marois. The budgets for the year ended March 31, 2001 and the upcoming year are balanced, as shown in table 9. As a consequence, the minister was able to provide both individual and corporate taxpayers with tax cuts or new tax incentives.

Table 8 Financial Highlights—New Brunswick[a]

	2001-2 (est.)	2000-1 (prelim.)
	millions of dollars	
Ordinary account		
Total revenue	4,919.6	4,718.3
Total expenditure	4,938.5	4,662.7
Surplus or deficit (–)	–18.9	55.6
Capital account		
Recoveries	20.9	12.6
Expenditures	197.2	155.1
Net capital expenditures	176.3	142.5
Sinking fund earnings	230.0	220.0
Transfer to fiscal stabilization fund		100.0
Combined surplus	34.8	33.1
Main revenue sources		
Personal income tax	903.1	909.8
Corporate income tax	158.0	178.6
Sales tax	691.0	653.0
Motive fuel tax	184.0	184.0
Federal government transfers		
Equalization	1,217.0	1,139.0
Canada health and social transfer	490.0	490.0
Sales tax assistance		34.0
Other	179.6	193.1
Principal expenditure functions		
Education	904.1	879.6
Health and wellness	1,329.0	1,279.6
Family and community services	688.4	661.0
Transportation	250.5	229.9
Debt expenses	654.0	633.0

[a] The data for 1999-2000 are not available.

Tax Changes

Quebec reduced its personal tax rates in all income brackets for the 2001 taxation year. The rate change will be implemented on July 1, 2001, and the full-year rates for 2001 are as follows:

Taxable income	*Tax rate*
$0-$26,000	17.00%
$26,001-$52,000	21.25%
Over $52,000	24.50%

Concurrent with the rate changes, the rate used to convert non-refundable tax credit amounts will be lowered to 20.75 percent for 2001. The same change will

Table 9 Financial Highlights—Quebec

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
		millions of dollars	
Total revenue	51,136.0	50,903.0	47,399.0
Total expenditure	51,136.0	49,453.0	47,369.0
Allocation to reserves		950.0	
Surplus or deficit (–)	—	500.0	30.0
Non-budgetary surplus or deficit (–)	–770.0	–932.0	687.0
Net financial surplus or requirements	–770.0	–432.0	717.0
Main revenue sources			
Personal income tax	15,902.0	17,006.0	16,029.0
Corporate taxes	4,374.0	4,192.0	3,643.0
Health services levy	4,436.0	4,458.0	4,291.0
Consumption taxes	9,742.0	9,522.0	8,819.0
Federal government transfers			
Equalization	5,615.0	5,650.0	4,387.0
Canada health and social transfer	2,960.0	1,597.0	1,120.0
Other	909.0	927.0	845.0
Principal expenditure functions			
Education	10,635.0	10,079.0	9,825.0
Health and social services	16,716.0	15,993.0	14,828.0
Transportation	1,531.5	1,491.0	1,578.0
Debt expenses	7,910.0	7,664.0	7,372.0

— nil.

be made to the province's alternative minimum tax rate and to the tax rate imposed on inter vivos trusts (other than mutual fund trusts). As of January 1, 2001, several elements of the Quebec tax system (for example, tax brackets and amounts used to calculate some refundable and non-refundable personal credits) will be indexed to increases in the Quebec consumer price index.

Amounts available under a number of existing tax credits have been increased or the eligibility criteria for the credits relaxed. Affected credits include the refundable Quebec sales tax credit and the northern villages tax credit, the disability tax credit, the infertility and adoption expenses tax credit, the refundable tax credit for persons living alone, the artists deduction for copyright income, and the political contributions tax credit. In addition, the tax treatment of certain types of scholarships and bursaries has been amended, and the taxback percentage applied to the tax reduction for families is reduced from 4 to 3 percent.

Corporations in the province that carry on a manufacturing and processing business through establishments in specified remote resource regions may be eligible for a tax holiday between March 30, 2001 and December 31, 2010. Eligible corporations (those with less than $10 million in taxable capital) carrying out qualifying activities (more than 50 percent manufacturing and processing) through establishments in designated remote resource regions may receive a complete holiday from income tax, capital tax, and employer contributions to the health services fund. A partial holiday may be available to corporations with between $10 million and $15 million in taxable capital. The determination of whether a sufficient portion of the corporation's activities qualify as manufacturing and processing as defined for purposes of the holiday will be made on the basis of the corporation's payroll for the year.

A temporary refundable tax credit will be provided for corporations that carry out processing activities in resource regions. The 40 percent credit will be granted, beginning with the 2001 calendar year, for increases in payroll attributable to eligible employees of an eligible corporation that carries out a certified business in specified resource regions. For purposes of the credit, a certified business means one in which processing activities (other than primary processing) are carried out in the wood processing, metal processing, food processing, or energy sectors. The tax credit may be claimed for a period of up to five years.

Two existing tax credit programs—the refundable tax credit for the Vallée de l'aluminium and the refundable tax credit for Gaspesie and certain maritime regions of Quebec—will be enhanced. The definition of eligible activities for the purposes of both credits are expanded.

In November 2000, the Quebec government announced that it would replace the existing flowthrough share system with a refundable tax credit for exploration expenditures. This year's budget provides details with respect to the new credit, which will also apply to expenses that relate to renewable energy and energy conservation. Under the new program, eligible expenses, which are defined as expenses that would have qualified for a 100 percent or 125 percent deduction under the old system, will be eligible for a tax credit that ranges from 20 to 45 percent. The base rate for the credit will be 20 percent, and higher credit rates will apply to eligible expenditures made by eligible corporations in Quebec's near north or far north. The new program will be phased in over the 2001 taxation year. Expenses incurred during 2001 may continue to be forgone in favour of an investor under the old flowthrough system, while the credit will be available for expenses incurred after March 29, 2001 that have not been forgone. The tax benefits relating to flowthrough shares will be eliminated for shares acquired after 2001.

Corporations engaging in business activities in the biotechology sector may benefit from three new tax credits. The first, the refundable tax credit for the Cité de la biotechnologie et de la santé humaine du Montréal métropolitain, provides a 40 percent credit for increases in payroll attributable to manufacturing or commercialization employees of an eligible corporation in the biotechnology and human health field. The tax credit, which will be available for five years, will be offered to corporations that carry on an eligible business in the Parc scientifique et de haute technologie de Laval. For purposes of the credit, an eligible business means a business whose activities consist of manufacturing products that relate to the biotechnology and human health sector.

In addition, a new site to be built in Laval, the Centre de developpement des biotechnologies de Laval, will be designated as an information technology development centre (CDTI) for activities in the biotechnology sector. Under Quebec tax law, certain types of businesses carried on in sites designated as CDTIs enjoy a number of tax benefits, including income, capital, and health services fund (HSF) tax holidays and refundable tax credits for wages paid to eligible employees. Because the centre is not yet built, transitional measures will address the treatment of corporations that are carrying out eligible activities but who cannot yet be accommodated in the new CDTI.

Finally, a new tax credit will be made available to corporations that carry out projects in the new CDTI and incur expenses related to the rental of a specialized installation (for example, a laboratory with specialized equipment). Such specialized installations are typically needed by corporations carrying on business in the biotechnology sector. The province will, for a period of five years, provide a refundable tax credit equal to 40 percent of eligible rental expenses relating to short-term rentals.

Quebec provides a number of tax incentives to the film and television industry, including refundable tax credits for film and television production, film production services, and music production. A number of technical changes will be made to these credits, the effect of which will generally expand the types of productions that may be eligible for credit or broaden the definition of remuneration that may give rise to eligible labour expenditures for the purpose of a tax credit.

The rules respecting the refundable tax credit for book publishing will also be amended. Currently, to be eligible for the credit, a book must be the work of a Quebec author and a certain percentage of the preparation and printing expenses must be paid to Quebecers or corporations with an establishment in the province. The rules will be amended to ensure that eligibility for the credit is not automatically lost where, for instance, a book is written by a team of authors, not all of whom are Quebecers. The new rules will also provide for the separate certification of a book that is published as part of a group of books, in order to ensure that eligibility for the credit is not lost where the preparation and printing costs for that book account for a disproportionate percentage of the overall preparation and printing costs.

In December 2000, the Quebec government introduced a bill in the legislature that authorizes professional orders within the province to permit their members to exercise their professional activities within a corporation or a limited liability partnership. The budget papers confirm that such corporations will be entitled to all the benefits that normally accrue to corporations under the provincial tax system. In addition, professionals who elect to exercise their professional activities through a limited liability partnership will not, for that reason, be considered “limited partners” for purposes of the Quebec tax legislation.

Quebec provides a refundable tax credit for on-the-job training, that had been scheduled to end on December 31, 2001. That credit program, which applies generally to students enrolled in a college or university education program, has now been extended to apply until the end of 2005. As well, the definition of a training period, for purposes of calculating the amount of eligible expenditures that give rise to the credit, will be increased from 20 weeks to 32 weeks. In addition, a new component of the program, to be known as Stage Quebec, will provide a similar credit for individuals enrolled as full-time students in a graduate university education program.

Quebec business investment companies (QBICs) are private corporations that hold shares in other private small and medium-sized corporations. When a QBIC makes an investment in a qualified corporation, the QBIC's shareholders can claim a deduction of 150 percent of the value of their interest in the qualified investment. This year's budget makes two changes to the QBIC program: first, the upper limit on the assets of a corporation in which a QBIC can make a qualified investment is raised from $25 million to $50 million, and second, the regulations will be amended to provide that a corporation more than 50 percent of whose activities consist of carrying on a certified bookstore at the time of receiving an investment from a QBIC will be considered to be operating in an eligible activity sector for the purposes of the QBIC system.

Relieving changes will also be made to the Quebec tax regime governing international financial centres (IFCs). An IFC is a business or part of a business established in Montreal all of whose activities pertain to qualified international financial transactions (QIFTs). IFCs receive a number of tax benefits, including a tax exemption and various refundable tax credits for the IFC operator and a partial or full income tax exemption for IFC employees. The definition of eligible employee for purposes of the partial income tax exemption will be broadened and the percentage exemption will be increased. As well, the definition of a QIFT, as it relates to fiduciary services pertaining to qualified securities provided for a Canadian resident, documentary collection transactions, and certain letters of credit, will be expanded. IFCs that are the subject of a transfer during the year following a merger, winding-up, or transfer of assets will not face a financial penalty by reason of that transfer with respect to their required contributions to the Fonds du centre financier de Montréal.

One of the tax benefits accruing to an IFC is the 40 percent refundable tax credit provided for expenditures incurred in the training of employees specializing in international transactions. Currently, the ceiling on wages that give rise to the credit is $62,500. That ceiling is raised to $75,000. In addition, eligibility criteria for such specialized employees are broadened and the application period for the credit is extended to July 1, 2003. Parallel changes will be made to a similar Quebec refundable tax credit for the training of portfolio managers. Finally, the definition of a junior financial analyst for purposes of the refundable tax credit provided for the hiring of analysts who specialize in the securities of Quebec corporations will be broadened.

The legislation governing Quebec's capital tax will be amended with respect to the treatment of the investment allowance. Specifically, the tax legislation will be amended to limit investments that allow a corporation that is not a financial institution to claim a reduction for investment with respect to investments made with an unrelated financial institution. As well, changes will be made to provide that any debt of a loan corporation, trust corporation, or corporation trading in securities in favour of a corporation that is not a financial institution and to which it is related must, in general, be added in calculating paid-up capital. Some exceptions will apply.

Quebec has announced that it will harmonize with recent federal measures regarding the capital gains inclusion rate. Consequently, the 18 percent rate formerly applied to dispositions of taxable Quebec property by non-residents is reduced to 15 percent for taxation years ending after February 27, 2000 and before October 18, 2000, and to 12 percent for taxation years ending after October 17, 2000. Other federal-provincial concordance measures were also outlined in the budget.

ONTARIO

On May 9, 2001, newly appointed Minister of Finance Jim Flaherty brought down the province's third successive balanced budget. Ontario is projecting a surplus of $3.2 billion for the fiscal year ended March 31, 2001, as shown in table 10.

This year's budget contained relatively few tax announcements. Most of the tax changes (particularly personal tax changes) are not scheduled to take effect until 2002 and later years.

Tax Changes

As announced in last year's budget, Ontario moved to a personal tax-on-income system for the 2000 and subsequent taxation years. This year's budget contained announcements of further refinements to that system, in the form of reductions in the tax rates applied to the low and middle income brackets for the 2002 and subsequent taxation years. The tax brackets and rates for 2002 and later years are as follows:

2002		*2003 and later*	
Taxable income	*Tax rate*	*Taxable income*	*Tax rate*
$0-30,814	6.05%	$0-$30,814	5.65%
$30,815-$61,629	9.15%	$30,815-$61,629	8.85%
Over $61,629	11.16%	Over $61,629	11.16%

Changes will also be made to the Ontario surtax (the fair share health care levy). For the 2001 taxation year, Ontario levies a two-tier surtax of 20 percent of provincial tax over $3,560, plus 36 percent of provincial tax over $4,491. Beginning with the 2003 taxation year, the two-tier surtax will be eliminated and a single surtax of 56 percent of provincial tax over $4,491 will be imposed.

Table 10 Financial Highlights—Ontario

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
		millions of dollars	
Total revenue	64,410	65,129	62,577
Total expenditure	63,270	61,937	61,909
Reserve	1,000		
Surplus or deficit (–)	140	3,192	668
Main revenue sources			
Personal income tax	18,010	18,975	17,617
Corporations tax	8,340	9,130	8,095
Sales tax	14,340	13,757	12,879
Motive fuel tax	2,955	2,893	2,819
Employer health tax	3,620	3,455	3,118
Federal government transfers			
Canada health and social transfer	5,630	4,137	3,967
Other	1,729	2,095	1,918
Principal expenditure functions			
Education	11,903	11,541	12,069
Health and long-term care	23,686	21,990	20,711
Community and social services	7,794	7,652	7,532
Transportation	1,192	1,355	1,417
Debt expenses	9,315	9,403	9,497

Ontario also made changes to some of its non-refundable personal tax credits. Most credits are unchanged: however, the province adopted the federal changes to certain non-refundable credits that were announced in last fall's mini-budget. Those credits and the new amounts are set out below.

Tax credit	*Amount*
Disability amount	$ 6,000
Infirm dependant amount	$ 3,500
Net income threshold	$ 4,976
Caregiver amount	$ 3,500
Net income threshold	$11,976
Education amount	
Monthly amount for full-time attendance	$ 400
Monthly amount for part-time attendance	$ 120

Changes were also made to Ontario's medical expenses tax credit. Where a claim is made for medical expenses paid for a dependant other than a spouse, that claim is reduced by a fixed percentage of the dependant's income over a set threshold. For 2001, such a claim is reduced by 26.35 percent of the dependant's income in excess of the Ontario basic personal amount; for 2002, the percentage reduction is 25.71 percent.

Provincial alternative minimum tax (AMT) rates will also change: for 2001, the provincial AMT is calculated as 38.75 percent of the additional tax calculated under the federal AMT rules; for 2002, that rate drops to 37.81 percent.

Parents of children enrolled in independent schools in the province will benefit from a refundable tax credit for tuition fees, beginning with the 2002 taxation year. The credit, which will be phased in over a five-year period, will be based on the first $7,000 of tuition fees (but not ancillary fees, such as boarding costs, books, uniforms etc.) paid per child. The credit rates through the phase-in period are as follows:

Taxation year	*Tax credit rate*	*Maximum credit per child*
2002	10%	$ 700
2003	20%	$1,400
2004	30%	$2,100
2005	40%	$2,800
2006 and later	50%	$3,500

Corporations in the province will benefit from a series of corporate rate reductions that were announced in last year's budget, as follows:

	General corporate rate	*Manufacturing and processing, mining, logging, farming, and fishing rate*
Current tax rate	14.0%	12.0%
Proposed rates		
2002	12.5%	11.0%
2003	11.0%	10.0%
2004	9.5%	9.0%
2005	8.0%	8.0%

In last year's budget, the province also proposed a series of cuts to the provincial small business rate and concomitant increases in the income threshold that determines eligibility for that preferential rate. The changes to both are summarized in the following chart.

	Proposed small business rate	*Income threshold*
2001	6.5%	$240,000
2002	6.0%	$280,000
2003	5.5%	$320,000
2004	5.0%	$360,000
2005	4.0%	$400,000

Each of the tax rate and income threshold changes are scheduled to take effect on January 1 of each taxation year. Proration will be provided for corporate taxation years that straddle the implementation date.

The budget papers indicated that the government intends to phase out the province's general capital tax. As part of that process, the current capital tax exemption will be replaced, effective January 1, 2002, by a $5 million deduction from taxable paid-up capital. At the same time, the $2 million capital deduction applied in determining adjusted taxable paid-up capital for financial institutions is increased to $5 million. As well, the total asset and gross revenue thresholds that determine a corporation's eligibility to use the short-form corporations tax return will be increased, effective for taxation years beginning after 2001, from $1.5 million to $3 million.

Changes will be made to the Ontario research and development (R & D) superallowance to counteract the adverse effect of the announcement made in last year's federal budget, that provincial deductions for R & D in excess of actual expenditures will be treated as taxable government assistance. Ontario is proposing to suspend the R & D superallowance for two years and, in its place, allow corporations to exclude from Ontario taxable income the portion of the federal investment tax credit (ITC) that relates to qualifying Ontario scientific research and experimental development (SR & ED) expenditures. This measure will be effective for a 24-month period, beginning with the first taxation year for which the federal superdeduction provision would apply to the corporation. For a corporation to take advantage of this change, the relevant ITC must be included in federal taxable income during the 24-month period and must be in respect of qualifying Ontario SR & ED expenditures incurred by the corporation during the 24-month period or in the taxation year immediately preceding the 24-month period.

The budget papers confirmed that, as announced in last December's economic statement, the provincial capital gains inclusion rate is reduced to 50 percent for capital gains and losses arising from dispositions of property on or after October 18, 2000.

Ontario intends to take several steps to simplify the administration of its tax system. Specifically, the requirement to make monthly instalment payments will be limited to corporations that have annual tax payable of $10,000 or more. Corporations that have annual tax payable of $2,000 to $10,000 in the current or preceding year will be allowed to make quarterly instalment payments. This change will apply to corporate taxation years beginning in 2002. As well, for taxation years ending after 2000, corporations filing Ontario corporate tax returns will no longer have to file copies of their federal T2 return and related schedules, providing that those documents have been filed with the Canada Customs and Revenue Agency.

A number of changes are to be made to Ontario's retail tax and property tax systems: those changes are generally of a relieving nature and are directed to specific classes of purchases or property owners.

MANITOBA

Manitoba Minister of Finance Gregory Selinger brought down the province's 2001-2 budget on April 10, 2001. The $26 million surplus posted by the province for the 2000-1 taxation year, as shown in table 11, allowed the minister to announce (or confirm previous announcements of) reductions in the province's general corporate and small business tax rates and the elimination of the personal surtax and net income tax.

Tax Changes

Manitoba has moved to a personal tax-on-income system in stages over the past two years. Last year, the province moved to a tax-on-income system but retained its surtax and net income tax, both of which have been eliminated for the 2001 and subsequent taxation years. The minister also announced a reduction in the tax rate applied to the top income bracket. The provincial rates and brackets for the 2001 taxation year are as follows:

Taxable income	*Tax rate*
$0-$30,544	10.9%
$30,545-$61,089	16.2%
Over $61,089	17.4%

Planned rates for the 2002 taxation year have also been reduced, and are now as follows:

Taxable income	*Tax rate*
$0-$30,544	10.9%
$30,545-$65,000	15.4%
Over $65,000	17.4%

For 2003, the 15.4 percent rate imposed for the middle income bracket will be further reduced to 14.9 percent.

Table 11 Financial Highlights—Manitoba

	2001-2 (est.)	2000-1 (prelim.)	1999-2000[a]
		millions of dollars	
Total revenue	6,803.0	6,765.0	6,337.0
Total expenditure	6,757.0	6,643.0	6,436.0
Surplus or deficit (–)	46.0	122.0	–99.0
Debt/pension repayments	–96.0	–96.0	–75.0
Drawdown of fiscal stabilization fund	60.0	—	185.0
Net overall balance	10.0	26.0	11.0
Main revenue sources			
Personal income tax	1,754.3	1,753.7	
Corporate income tax	375.2	444.3	
Sales tax	957.6	935.0	
Motive fuel tax	67.0	67.0	
Federal government transfers			
Equalization	1,306.1	1,355.2	
Canada health and social transfer	677.8	638.0	
Other	143.8	122.1	
Principal expenditure functions			
Education	1,489.6	1,448.6	
Health	2,587.8	2,505.1	
Family services and housing	808.6	779.4	
Highways and government services	311.2	300.6	
Debt expenses	458.1	520.0	

— nil.

[a] Details for 1999-2000 are not available on a comparable basis.

In last fall's mini-budget, the federal government increased certain non-refundable personal tax credits. Manitoba has matched those changes and has, in addition, increased the amounts on which its personal tax credits are based by 2.5 percent.

Manitoba personal tax credit amounts and the tax credits for 2001 are therefore as follows:

Tax credit	*Amount*	*Value for 2001 (10.9% conversion factor)*
Basic personal amount	$ 7,412	$807.91
Age 65	$ 3,619	$394.47
Disability	$ 6,000	$654.00
Married or equivalent	$ 6,293	$685.94
Net income threshold	$ 630	
Disabled dependants over 18	$ 3,500	$381.50

Net income threshold	$ 4,966	
Caregiver	$ 3,500	$381.50
Net income threshold	$11,953	
Education amounts		
Full-time attendance	$400/month	$43.60/month
Part-time attendance	$120/month	$13.08/month

Manitoba provides post-secondary students in the province with a learning tax credit. The credit is calculated as a percentage of the total of eligible tuition and ancillary amounts paid, plus the amount of the federal education credit. For 2001 and subsequent taxation years, that percentage is reduced from 7 to 4 percent. The base for the credit will, however, be increased by virtue of changes in the federal education credit announced in last fall's mini-budget.

The province's capital gains inclusion rate is decreased from 66.6 to 50.0 percent, to match the corollary federal change.

Manitoba corporations will benefit from a number of changes to be implemented this year and in 2002. The 1999 Manitoba budget contained an announcement of a series of reductions in the province's small business tax rate. For 2001, the rate was reduced from 7 to 6 percent, as planned. For 2002, the rate will be further reduced to 5 percent. In addition, this year's budget indicates that the income threshold for eligibility for the preferential rate will be increased, effective January 1, 2002, from $200,000 to $300,000.

The general corporate tax rate will also be reduced, in stages, from the current 17 percent to 15 percent. The reduction will be achieved through a 0.5 percent cut each January 1, beginning January 1, 2002. The general corporate rate for the next four years will therefore be

January 1, 2002,	16.5%;
January 1, 2003,	16.0%;
January 1, 2004,	15.5%;
January 1, 2005,	15.0%.

Manitoba provides a film and video production tax credit to corporations producing eligible films or videos in the province. The program, which provides a credit of 35 percent of eligible wages paid on such projects, was scheduled to end on March 2, 2002. Instead, the program has been extended to March 2, 2005. In addition, firms with assets exceeding $50 million will now be eligible for the credit.

The budget also contained a number of commodity tax measures that will affect property taxes, retail sales tax, tobacco tax, gasoline tax, and liquor markups in the province.

SASKATCHEWAN

Minister of Finance Eric Cline brought down Saskatchewan's eighth consecutive balanced budget on March 30, 2001 as shown in table 12. Most of the tax changes announced in the budget related to the personal tax-on-income system adopted by the province for the 2001 and subsequent taxation years. Small businesses in the province will benefit from a reduction in the small business rate and an increase in the small business limit. Finally, Saskatchewan will offer taxpayers a tax credit for qualifying political contributions for the 2001 and subsequent taxation years.

Tax Changes

Last year's budget announced the province would adopt a personal tax on income system, effective January 1, 2001. The tax rates and brackets announced in that budget have been implemented as originally announced. This year's budget indicates, however, that the amounts on which certain non-refundable personal tax credits are based have been increased to match federal amounts. The affected credits and the new amounts are set out below:

Tax credit	*2001 amount*
Disability tax credit	$6,000
Caregiver tax credit	$3,500
Disability supplement amount	$3,500
Infirm dependant amount	$3,500
Education amount	
Full-time study	$ 400/month
Part-time study	$ 120/month

These amounts are converted to a non-refundable credit at a rate of 11.5 percent (the provincial tax rate applied to the lowest income bracket for 2001).

In order to ensure that provincial credit amounts match the corresponding federal amounts, the provincial amounts are fully indexed to the national consumer price index as of January 1, 2001. Indexation of Saskatchewan's income tax brackets and special tax credit amounts will begin in 2004.

A new mineral exploration tax credit is to be introduced, retroactive to October 18, 2000. The non-refundable credit will provide individuals with a 10 percent credit on investments in flowthrough shares of qualifying mineral exploration companies. The federal government offers a parallel credit: when the two are combined, Saskatchewan investors will be eligible for a 25 percent credit on qualifying investments. The new provincial credit is temporary and will expire at the end of 2003.

The province's small business rate is reduced from 8 to 6 percent, effective July 1, 2001. The full year rate for Saskatchewan small businesses for 2001 is

Table 12 Financial Highlights—Saskatchewan

	2001-2 (est.)	2000-1 (prelim.)	1999-2000[a]
		millions of dollars	
Total revenue	6,041.7	6,793.9	5,856.9
Total expenditure	6,302.6	5,954.4	5,773.4
Surplus or deficit (–)	–260.9	839.5	83.5
Transfer to (–) or from (+) fiscal stabilization fund	263.7	–775.0	—
Net overall balance	2.8	64.5	83.5
Main revenue sources			
Personal income tax	1,184.9	1,255.4	
Corporation taxes	640.8	645.7	
Sales tax	795.5	758.1	
Motive fuel tax	367.7	365.0	
Natural resources	877.3	1,283.2	
Federal government transfers			
Equalization	377.0	215.4	
Canada health and social transfer	594.0	552.4	
Other	136.8	152.1	
Principal expenditure functions			
Education	1,126.4	1,112.5	
Health	2,207.2	2,098.4	
Social services	588.5	577.3	
Highways and transportation	311.7	275.0	
Debt expenses	640.5	663.5	

— nil.

[a] Details for 1999-2000 are not available on a comparable basis.

therefore 7 percent on qualifying income under the small business limit of $200,000. That income threshold will be increased to $300,000. The increase is, however, not effective until 2002.

Saskatchewan has, to date, been the only province not to offer a tax credit for political contributions. A tax credit will now be made available for the 2001 and subsequent taxation years. The credit will be calculated as 75 percent of the first $200 donated, 50 percent of the next $350, and 33.3 percent of the next $525 donated. The maximum credit available in any one taxation year is $500. The credit is non-refundable and non-transferable and cannot be carried over to subsequent taxation years.

The province offers a film employment tax credit program. As part of that program, salaries paid to non-residents who provide training to Saskatchewan residents on film projects are eligible for the credit. This measure was scheduled to expire at the end of 2001: instead, it will be extended for another two years, to the end of 2003.

Last year, Saskatchewan announced that doctors in the province would be allowed to incorporate. This year, that right was extended to all regulated professionals. No details were provided in the budget papers other than the fact that the right to incorporate will not be permitted to limit a professional's legal liability.

The budget contained two targeted incentives for the resource sector. These measures will provide either reduced taxes or a tax credit for carbon-dioxide-based enhanced oil recovery projects and for the sodium sulphate industry.

Finally, commissions earned by licensed real estate agents on new home sales will be exempt from retail sales tax, effective March 31, 2001.

ALBERTA

Provincial Minister of Finance Patricia Nelson brought down Alberta's 2001-2 budget on April 24, 2001. Significant changes will take place in 2001 in Alberta's personal and corporate tax systems: most of the changes, however, were announced either in previous budgets, or outside the budgetary process. As shown in table 13, the province posted a surplus of just over $5.5 billion for the fiscal year ended March 31, 2001.

Tax Changes

Effective January 1, 2001, Alberta moved to a personal tax-on-income, flat tax system. The announcement of that change was originally made in the province's 1999 budget, which indicated that the new system would be put in place for the 2002 and later taxation years. However, the implementation date for the new system was brought forward from 2002 to 2001 and the flat tax rate was reduced from 11.0 to 10.5 to 10.0 percent.

Alberta also enacted a number of corporate tax rate changes, effective April 1, 2001, that were announced by way of press release last September. The rates for 2001 and the proposed rates for future years are as follows:

	2000	*2001*	*2002*	*2003*	*2004*
General corporate rate	15.5%	13.5%	11.5%	10.0%	8.0%
Manufacturing and processing rate	14.5%	13.5%	11.5%	10.0%	8.0%
Small business rate	6.0%	5.0%	4.0%	3.0%	
Small business threshold	$200,000	$300,000	$400,000		

Each of these changes is effective April 1 of the particular taxation year. Proration will be provided for corporate taxation years that straddle the implementation date.

Table 13 Financial Highlights—Alberta

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
		millions of dollars	
Budgetary revenue	22,673.0	25,393.0	20,172.0
Budgetary expenditure	21,856.0	19,844.0	17,455.0
Surplus or deficit (–)	817.0	5,549.0	2,717.0
Main revenue sources			
Personal income tax	4,422.0	4,312.0	5,100.0
Corporate income tax	1,974.0	1,978.0	1,255.0
Non-renewable resource revenues	7,701.0	10,637.0	4,838.0
Less royalty tax credit	165.0	158.0	188.0
Net non-renewable resource revenues	7,536.0	10,479.0	4,650.0
Federal government transfers			
Canada health and social transfer	1,482.0	1,331.0	1,164.0
Other	596.0	420.0	476.0
Principal expenditure functions			
Health	7,141.0	5,815.0	5,302.0
Social services	1,934.0	1,794.0	1,668.0
Education	6,066.0	5,045.0	4,735.0
Transportation and utilities	1,626.0	1,782.0	1,113.0
Debt charges	750.0	1,000.0	956.0

The September press release indicated that the province would be eliminating its financial institutions' capital tax and would no longer allow a deduction for other provinces' capital taxes. These changes were effective April 1, 2001.

The 2001-2 budget contained announcements of certain changes to the province's property tax regime and a reduction in the railway fuel tax rate to bring it into line with the rate charged on aviation fuel.

BRITISH COLUMBIA

The 2001-2 British Columbia budget was brought down on March 15, 2001 by Minister of Finance and Corporate Relations Paul Ramsey. The budget contained a large number of administrative and technical amendments but relatively few substantive tax changes. The minister did announce that the province expected a surplus of $1.3 billion for the 2000-1 fiscal year and was forecasting a $1.1 billion surplus for the upcoming fiscal year, as shown in table 14.

Tax Changes

Some of the tax changes to be implemented this year were announced, not as part of the budget, but by way of press release. In August 2000, the government issued a release indicating that the province will reduce the small business rate,

Table 14 Financial Highlights—British Columbia

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
		millions of dollars	
Operating account			
Budgetary revenue	24,585.0	24,030.0	21,846.0
Budgetary expenditure	24,295.0	22,615.0	22,200.0
Surplus or deficit (–)	290.0	1,415.0	–354.0
Net surplus or deficit (–) of taxpayer-supported agencies	–313.0	–264.0	596.0
Net contributions from self-supported Crown agencies	23.0	428.0	–190.0
Forecast allowance	1,090.0	–262.0	
Surplus or deficit (–)	1,090.0	1,317.0	52.0
Main revenue sources			
Personal income tax	6,070.0	6,015.0	5,839.0
Corporate income tax	1,245.0	1,056.0	939.0
Sales tax	3,743.0	3,581.0	3,338.0
Gasoline tax	445.0	455.0	470.0
Federal government transfers			
Canada health and social transfer	2,631.0	2,621.0	2,438.0
Other	178.0	168.0	171.0
Principal expenditure functions			
Health	9,318.0	8,752.0	8,174.0
Education	6,746.0	6,618.0	6,099.0
Social services	3,690.0	2,478.0	3,023.0
Transportation	669.0	616.0	1,702.0
Debt charges	840.0	895.0	835.0

effective January 1, 2001, from 4.75 to 4.5 percent. In addition, a press release issued in November 2000 outlined the personal income tax rates and brackets that will be used under the provincial tax-on-income system for 2001. The rates and brackets are as follows:

Taxable income	*Tax rate*
$0-$30,484	8.4%
$30,485-$60,969	11.9%
$60,970-$70,000	16.7%
$70,001-$85,000	18.7%
Over $85,000	19.7%

British Columbia's surtaxes have now been eliminated.

The budget announcements included certain amendments to be made to the province's capital tax legislation which involve changes to the definition of British Columbia eligible expenditures (BCEEs) and restrictions on the use of the special formula allowed to investment dealers in the computation of paid-up capital. Taxpayers who have invested in certain specified commercial activities are allowed to deduct BCEEs in the computation of capital. The deduction is, however, limited to eligible property acquired and immediately used for a qualified purpose in the same taxation year. Effective for taxation years ending after March 15, 2001 that requirement is eliminated and a deduction allowed in a taxation year prior to the time at which the property is used, provided that it is not used primarily for any other purpose prior to its use for a qualified purpose. Another amendment to the capital tax legislation will ensure that use of a particular formula to compute aggregate paid-up capital by investment dealers is available only to corporations that are fully licensed as securities dealers under the laws of a province, not to dealers holding restricted licences.

British Columbia's logging tax legislation will be amended, effective for taxation years beginning after March 31, 2001, to provide that the calculation of 150 percent of the federal logging credit (a required step in the computation of BC logging tax) must exclude any claim for federal investment or political tax credits. Previously, taxpayers were able to minimize or eliminate provincial logging tax by including such federal claims in their calculations.

British Columbia will make changes to a number of its refundable corporate tax credit programs to permit prepayment of such credits in certain circumstances. The affected credit programs include the provincial SR & ED credit program, the film and television tax credit program, and the production services tax credit program. Changes to the provincial legislation will parallel the federal provisions, which allow payment of the credit prior to the issuance of a notice of assessment where the amount of the credit is undisputed and the accompanying tax return cannot be assessed within 120 days of filing. This change is effective March 16, 2001.

The budget also contained a number of technical changes to the province's Social Services (Sales) Tax Act, the Tobacco Tax Act, the Motor Fuel Tax Act, the Hotel Room Tax Act, and provincial property tax legislation.

Addendum

The BC government was defeated in a general election in May 2001. On June 6 the new government issued a press release indicating that, in accordance with promises made during the election campaign, the province's personal tax rates will be reduced, effective January 1, 2001. The new tax rates for 2001 are as follows:

Taxable income	*Tax rate*
$0-$30,484	7.30%
$30,845-$60,969	10.50%
$60,970-$70,000	13.70%
$70,001-$85,000	15.70%
Over $85,000	16.70%

NORTHWEST TERRITORIES

The Northwest Territories' 2001-2 budget was brought down on February 15, 2001 by Minister of Finance Joseph Handley. The Territories posted a $23.3 million surplus for the fiscal year just ended. The minister indicated that a smaller surplus of $1.7 million is expected for the upcoming 2001-2 fiscal year (see table 15).

It was announced in the budget that the Northwest Territories will move to a personal tax-on-income system for the 2003 and subsequent taxation years. A press release issued June 6, 2001 indicated, however, that the timing of that change will be accelerated.

Tax Changes

The only current tax change announced in the budget was a fuel rebate initiative for low-income households. The one-time rebate is intended to partially offset the impact of recent fuel price increases. A subsequent press release indicated that the full rebate will be available to households with total annual income below $75,000; households with annual income between $75,000 and $85,000 can receive 50 percent of the rebate. The full amount of the rebate is $320 for homeowners and renters who pay their home heating fuel costs directly and $150 for those who pay such costs indirectly.

On June 6, 2001, a press release was issued indicating that the Northwest Territories will move to a personal tax-on-income system for 2001 and later years, rather than for 2003, as had been stated in the budget. The press release did not provide details on the tax brackets or rates to be imposed for 2001, other than to state that the new tax-on-income system will simply convert existing tax rates.

NUNAVUT

The 2001-2 Nunavut budget brought down on February 27, 2001 by Minister of Finance Kelvin Ng contained no tax changes and no indication of whether Nunavut intends to move to a personal tax-on-income system. However, the minister subsequently indicated, in an announcement to the territorial legislature, that Nunavut will adopt the personal tax-on-income structure for 2001 and following taxation years. Nunavut expects to run a deficit of $34.8 million for the upcoming 2001-2 fiscal year, as shown in table 16.

YUKON TERRITORY

Yukon Minister of Finance Pat Duncan brought down the Territory's 2001-2 budget on February 22, 2001. The Yukon Territory's deficit for the fiscal year just ended was $33.8 million. The minister's projections did, however, call for that deficit to be reduced to $24.1 million for the upcoming 2001-2 fiscal year, as shown in table 17.

Table 15 Financial Highlights—Northwest Territories

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
	millions of dollars		
Total revenue	838.7	831.0	758.3
Total expenditure	837.0	807.7	775.1
Surplus or deficit (–)	1.7	23.3	–16.8
Main revenue sources			
Personal income tax	54.8	58.6	51.5
Corporate income tax	116.1	102.2	7.6
Motive fuel tax	15.8	11.8	7.5
Federal government transfers	541.6	545.4	568.0
Principal expenditure functions			
Education, culture, and employment	194.8	185.8	178.2
Health and social services	202.7	190.5	184.5
Transportation	109.3	95.6	92.0

Table 16 Financial Highlights—Nunavut[a]

	2001-2 (est.)	2000-1 (prelim.)
	millions of dollars	
Total revenue	670.0	635.3
Total expenditure	704.8	673.7
Surplus or deficit (–)	–34.8	–38.4
Main revenue sources		
Personal income tax	10.3	11.9
Corporate income tax	1.7	1.8
Motive fuel tax	3.3	3.1
Federal government transfers		
Formula financing arrangement	563.0	529.0
Other	52.4	50.8
Principal expenditure functions		
Education	174.8	155.8
Health and social services	123.4	121.6
Public works	92.6	97.1

[a] Details for 1999-2000 are not available on a comparable basis.

Table 17 Financial Highlights—Yukon

	2001-2 (est.)	2000-1 (prelim.)	1999-2000
		millions of dollars	
Total revenue	513.9	509.3	482.8
Total expenditure	538.0	543.1	499.2
Surplus or deficit (–)	–24.1	–33.8	–16.5
Main revenue sources			
Personal income tax	29.0	34.1	35.2
Corporate income tax	9.7	8.7	8.3
Motive fuel tax	6.4	6.4	6.6
Federal government transfers			
Formula financing arrangement	332.6	320.9	309.8
Other	73.7	73.6	69.3
Principal expenditure functions			
Education	102.3	108.0	98.2
Health and social services	137.1	133.8	122.4
Community and transportation services	115.9	116.7	107.7

Tax Changes

The only income tax change announced in the budget was an enhancement to the Territory's mineral exploration tax credit that provides a 22 percent tax credit for eligible mineral exploration expenditures made between April 1, 1999 and April 1, 2001. The deadline has been extended to April 1, 2002, and the credit percentage has been increased to 25 percent for expenditures made during the period April 1, 2001 to April 1, 2002.

Tobacco tax is increased by 1 cent per cigarette or 25 cents per package.

In a press release issued July 6, 2001, the Yukon announced that it will move to a personal tax-on-income system for the 2001 and subsequent taxation years. For 2001, the Yukon will use the same tax brackets and non-refundable credits as the federal government.