
MP-1

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SASKATCHEWAN MANUFACTURING AND PROCESSING PROFITS TAX REDUCTION

This bulletin describes the Corporation Income Tax (CIT) reduction for manufacturing and processing profits that was first announced in the 1995-96 Saskatchewan Budget.

The tax reduction applies to firms in the manufacturing and processing industry. The Saskatchewan CIT rate is reduced by as much as two percentage points on Canadian manufacturing and processing profits, as reported on the federal T2 CIT return. Saskatchewan-based firms with a high allocation of income to Saskatchewan will receive a larger tax reduction than firms with a low allocation of income (see example).

The maximum two percentage point reduction is multiplied by the corporation's allocation of income to Saskatchewan to arrive at the net Saskatchewan tax rate reduction. The net Saskatchewan tax rate reduction is then applied to the corporation's Saskatchewan share of Canadian manufacturing and processing profits to determine the amount of the tax reduction.

The reduction is administered by the Canada Revenue Agency. Corporations must complete Schedule 404 in the T2 CIT return. Credits will be applied directly against any Saskatchewan Income Tax payable calculated on the T2 return.

EXAMPLE: Calculation of Saskatchewan Manufacturing and Processing Profits Tax Reduction

Assumptions

- Fiscal year – July 1, 2016 to June 30, 2017
- Saskatchewan Allocation per T2S-TC is 90.0%
- Canadian Manufacturing and Processing Profits from line 200 on Schedule 27 is \$5,000,000
- Saskatchewan's general CIT rate is 12% **
- The annual business limit is \$500,000
- Adjusted Taxable Income is \$5,100,000 (Line H on Schedule 404)

EXAMPLE CONTINUED

Canadian manufacturing and processing profits for the year, as entered on line 200, Part 9 of Schedule 27		\$5,000,000 (A)
Deduct income that is eligible for small business rate:		
The least of amounts on lines 400, 405 or 427 of the T2 return		\$500,000 (B)
Sub-total (A) – (B)		\$4,500,000 (C)
Adjusted Taxable income (Line H on Schedule 404)		\$5,100,000 (D)
Lessor of (C) and (D)	\$4,500,000	
Multiplied by Saskatchewan Allocation Percentage	X 90.0%	
	\$4,050,000	\$4,050,000 (E)
Saskatchewan Allocation Percentage 90.0% X 2%		1.8% (F)
Saskatchewan manufacturing and processing profits tax reduction (E) X (F)		\$72,900 (G)

** The 2017-18 Budget announced that the Saskatchewan general CIT rate declines from 12% to 11.5% effective July 1, 2017 and from 11.5% to 11% effective July 1, 2019. The tax rate reductions will be pro-rated for corporate taxation years that straddle the effective dates.

FOR FURTHER INFORMATION

Contact: Canada Revenue Agency
 Telephone: 1-800-959-5525
 Internet: <http://www.cra-arc.gc.ca>

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<http://www.finance.gov.sk.ca/taxes>

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