

2024 Issue No. 18
21 March 2024

Tax Alert – Canada

Saskatchewan budget 2024-25

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“[T]his budget delivers the largest-ever new investments in three of the most important areas to Saskatchewan people and Saskatchewan’s future... Classrooms, care and communities.”

“This budget responds to the challenges of a growing province by reinvesting the benefits of a growing province.”

“Mr. Speaker, the Budget makes these important new investments without any new taxes or tax increases.”

*Saskatchewan Finance Minister Donna Harpauer
2024-25 budget speech*

On 20 March 2024, Saskatchewan Finance Minister Donna Harpauer tabled the province’s fiscal 2024-25 budget. The budget contains tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$273.2 million for 2024-25 and projects a surplus for the next year.

Following is a brief summary of the key tax measures.

Business tax measures

Corporate income tax rates

The budget confirms that the small-business rate will remain at 1.00% until 30 June 2025 and will increase to 2.00% on 1 July 2025. The small-business rate was previously set to increase to 2.00% on 1 July 2024.

No changes are proposed to the general corporate rate or to the \$600,000 small-business limit.

Saskatchewan’s current and proposed future corporate income tax rates are summarized in Table A.

Table A - 2024 and 2025 Saskatchewan corporate income tax rates¹

	Current Saskatchewan rate	Proposed rates			
		2024		2025	
		Saskatchewan	Federal and Saskatchewan combined	Saskatchewan	Federal and Saskatchewan combined
Small-business tax rate ^{2, 3}	1.50%	1.00%	10.00% (up to \$500k) 16.00% (\$500k-\$600k)	1.50%	10.50% (up to \$500k) 16.50% (\$500k-\$600k)
General manufacturing and processing tax rate ³	10.00%	10.00%	25.00%	10.00%	25.00%
General corporate tax rate ^{3, 4}	12.00%	12.00%	27.00%	12.00%	27.00%

¹ The rates represent calendar-year-end rates unless otherwise indicated.

² Saskatchewan temporarily reduced its small-business rate from 2.00% to nil, effective for the period commencing 1 October 2020 and ending on 30 June 2023. The small-business rate increased to 1.00% effective 1 July 2023 and will return to a rate of 2.00% on 1 July 2025.

³ The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and Saskatchewan rates above.

⁴ An additional federal tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

Other business tax measures

- ▶ The budget announces that the application period for the existing Saskatchewan Commercial Innovation Incentive (SCII) is extended by one year to 30 June 2025. The SCII provides eligible corporations a reduction in the provincial general corporate rate to 6.00% for 10 consecutive years for eligible corporations that commercialize their qualifying intellectual property in Saskatchewan. The benefit period can be extended to 15 years if at least 50% of the related research and development was conducted in Saskatchewan.

Personal tax

Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2024 Saskatchewan personal income tax rates are summarized in Table B.

Table B - 2024 Saskatchewan personal income tax rates

First bracket rate	Second bracket rate	Third bracket rate
\$0 to \$52,057	\$52,058 to \$148,734	Above \$148,734
10.50%	12.50%	14.50%

For taxable income in excess of \$148,734, the 2024 combined federal-Saskatchewan personal income tax rates are outlined in Table C.

Table C - Combined 2024 federal and Saskatchewan personal income tax rates

Bracket	Ordinary income ¹	Eligible dividends	Non-eligible dividends
\$148,735 to \$173,205	40.50%	19.98%	32.81%
\$173,206 to \$246,752 ²	43.82%	24.56%	36.62%
Above \$246,752	47.50%	29.64%	40.86%

¹ The rate on capital gains is one-half the ordinary income tax rate.

² The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

Other tax measures

Saskatchewan Technology Start-up Incentive

- ▶ The budget announces the following enhancements to the existing Saskatchewan Technology Start-up Incentive (STSI): (1) extension of the program by one year to 31 March 2027; (2) increase in the annual program cap by \$3.5 million to \$7.0 million; and (3) expansion of the program to start-ups in the cleantech sector. The STSI provides a non-refundable 45% income tax credit for individual or corporate investments in eligible start-up businesses.

Oil and gas taxation

- ▶ The budget announces that the existing Saskatchewan Petroleum Innovation Incentive (SPII) is extended by five years to 31 March 2029. The budget also proposes to increase the program's total funding cap by \$70 million to \$100 million and remove helium and lithium as eligible commodities. The SPII provides transferable Crown royalty and freehold production tax credits at a rate of 25% of eligible costs for qualified innovation commercialization projects.
- ▶ The budget announces that the existing Oil and Gas Processing Investment Incentive (OGPII) is extended by five years to 31 March 2029. The budget also proposes to increase the program's total funding cap by \$130 million to \$500 million and remove helium and lithium as eligible commodities. The OGPII provides transferable Crown royalty and freehold production tax credits at a rate of 15% of eligible costs for qualified greenfield or brownfield value-added projects.
- ▶ The budget introduces the new Multi-lateral Well Program, which provides Crown royalty and freehold production tax volumetric drilling incentives based on the type of well drilled, with eligible multi-lateral wells receiving the largest volumetric incentive. The program will apply to eligible new wells drilled between 1 April 2024 and 31 March 2028.

Critical mineral taxation

- ▶ The budget introduces the new Saskatchewan Critical Minerals Innovation Incentive (SCMII), which provides transferable Crown royalty and freehold production tax credits at a rate of 25% of eligible costs for pilot and commercial scaling projects that include new technologies that can improve resource recovery rates, manage environmental impacts, increase value-added processing or commercialize a by-product or waste product. This program will share the \$100 million funding cap with the SPII. Eligible minerals include aluminum, cobalt, copper, gallium, helium, lithium, magnesium, nickel, all rare earth minerals and zinc.
- ▶ The budget introduces the new Critical Mineral Processing Investment Incentive (CMPPII), which provides transferable Crown royalty and freehold production tax credits at a rate of 15% of eligible costs for new or expanded value-added processing projects, including by-product commercialization. This program will share the \$500 million funding cap with the OGPII. Eligible minerals include aluminum, cobalt, copper, gallium, helium, lithium, magnesium, nickel, all rare earth minerals and zinc.

Enforcement and collection

The budget proposes the following increases to penalties with respect to consumption tax, effective 1 October 2024:

- ▶ A new \$50 penalty for failing to file a return by the due date;
- ▶ Removal of the \$500 maximum to the existing 10% penalty for failing to pay tax owing by the due date;
- ▶ A new \$500 penalty for failing to produce books, records or documents as required; and
- ▶ A new \$100 penalty for failing to file any return or form in the manner required or failing to complete any information required on any return or form.

This budget also announces the government's intention to amend *The Revenue and Financial Services Act* to:

- ▶ Enhance collection tools;
- ▶ Prevent tax avoidance; and
- ▶ Clarify compliance obligations and increase associated monitoring.

Learn more

For more information, please contact your EY or EY Law advisor or one of the following professionals:

Ryan Ball

+1 306 649 8225 | ryan.ball@ca.ey.com

Craig Hermann

+1 306 649 8204 | craig.hermann@ca.ey.com

Wes Unger

+1 306 649 8247 | wes.unger@ca.ey.com

Luke Hergott

+1 306 649 8251 | luke.hergott@ca.ey.com

And for up-to-date information on the federal, provincial and territorial budgets, visit ey.com/ca/Budget.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

About EY's Tax Services

EY's tax professionals across Canada provide you with deep technical knowledge, both global and local, combined with practical, commercial and industry experience. We offer a range of tax-saving services backed by in-depth industry knowledge. Our talented people, consistent methodologies and unwavering commitment to quality service help you build the strong compliance and reporting foundations and sustainable tax strategies that help your business achieve its potential. It's how we make a difference.

For more information, visit ey.com/ca/tax.

About EY Law LLP

EY Law LLP is a national law firm affiliated with EY in Canada, specializing in tax law services, business immigration services and business law services.

For more information, visit eylaw.ca.

About EY Law's Tax Law Services

EY Law has one of the largest practices dedicated to tax planning and tax controversy in the country. EY Law has experience in all areas of tax, including corporate tax, human capital, international tax, transaction tax, sales tax, customs and excise.

For more information, visit <http://www.eylaw.ca/taxlaw>

© 2024 Ernst & Young LLP. All Rights Reserved.

A member firm of Ernst & Young Global Limited.

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact EY or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/ca