

## Provincial manufacturing and processing qualified property tax incentives

	Rate	Description
Saskatchewan <sup>1</sup>	5%	Refundable tax credit for purchases of qualifying M&P equipment used in the province
Manitoba <sup>2</sup>	10%	Refundable and non-refundable tax credits for purchases prior to January 1, 2015 of qualifying M&P property used in the province
Québec <sup>3</sup>	5% to 40%	Refundable and non-refundable tax credits for purchases prior to January 1, 2016 of qualifying M&P equipment used in the province
Nova Scotia <sup>4</sup>	20%	Refundable tax credit for purchases after November 19, 2010 of qualifying M&P equipment used in the province
Prince Edward Island <sup>5</sup>	10%	Non-refundable tax credit for purchase of qualifying M&P equipment used in the province

### Notes

- (1) Saskatchewan's manufacturing and processing (M&P) tax credit was converted from a non-refundable credit into a refundable credit for eligible expenditures incurred after April 6, 2006. Qualifying M&P equipment is that which qualifies for federal investment tax credit (ITC) purposes. Used equipment also qualifies if it has been subject to provincial sales tax when purchased. Unused non-refundable credits earned prior to April 7, 2006 have a 10 year carryforward period. The credit (refundable and non-refundable) is considered to be government assistance and reduces the capital cost of the equipment for federal purposes.
- (2) Qualifying M&P property in Manitoba is that which qualifies for federal ITC purposes and is purchased or leased prior to January 1, 2015. Qualifying M&P property is new and used prescribed buildings, machinery, and equipment, as well as Class 43.1 or Class 43.2 assets used in the province. The acquired property has to be available for use by the corporation.  
  
For taxation years ending after 2007, the refundable portion is 70% of the credit in respect of qualifying property purchased after 2007 (35% in respect of qualifying property purchased prior to January 1, 2008).  
  
The credit is considered to be government assistance and reduces the capital cost of the equipment for federal purposes. Unused credits earned in taxation years ending after 2003 may be carried forward 10 years and carried back three years. Unused credits earned in prior taxation years may only be carried forward seven years.  
  
Corporations also have the ability to elect to renounce the M&P tax credit, in whole or in part.

## Provincial manufacturing and processing qualified property tax incentives (continued)

- (3) Qualifying M&P equipment in Québec is defined in Schedule B of the *Taxation Act Regulations*, and must be purchased by eligible corporations after March 14, 2008 and prior to January 1, 2016. The applicable ITC rate depends, first, on where the eligible investment is made and, second, on the corporation's paid-up capital (PUC) calculated on a consolidated worldwide basis. This tax credit is fully refundable for corporations whose PUC does not exceed \$250 million. The refundability is reduced on a sliding scale basis for corporations with PUC that exceeds \$250 million and is eliminated for PUC that exceeds \$500 million. Any non-refundable portion of the tax credit may be carried back to the preceding three taxation years or carried forward to the following 20 taxation years. This carry-over is not allowed for taxation years ending before March 14, 2008.

The ITC calculation was amended to include a cumulative limit of \$75 million for investments that are eligible for the increased credit rate (higher than the base rate of 5%), the refundable credit, or both. This amendment applies to eligible investments made on or after October 29, 2009. However, the calculation of the cumulative limit must take into account the eligible investments made since the measure was introduced on March 14, 2008. Furthermore, the cumulative limit must be reduced by certain eligible investments made by the corporation, or an associated corporation, within 24 months prior to the beginning of the current taxation year. The eligible investments that reduce the cumulative limit are those that enable the corporation or an associated corporation to qualify for an increased ITC rate, refundable credit, or both. Associated corporations must share the \$75 million cumulative limit and include an allocation agreement of this amount with their tax returns.

- (4) Nova Scotia introduced the Productivity Investment Program (PIP) in 2010. There are two components to this program: the Capital Investment Incentive (CII) and the Workplace Innovation and Productivity Skills Incentive (WIPSI). To be eligible for the CII, the eligible corporation must submit an application to the Department of Economic and Rural Development and Tourism (ERDT), through the Investment Division, prior to any commitment to purchase the qualified property. The qualified property, as defined by the province, must be acquired after December 19, 2010. If approved, a Letter of Offer will be issued and will be valid for six months from the date of issue unless otherwise outlined in the Letter of Offer. On completion of the purchase, the corporation must submit a claim for reimbursement supported by invoices and proof of payment. A reimbursement of 20% of the cost, up to a maximum of \$1 million per provincial fiscal year, will be issued. This maximum reimbursement applies to the PIP for both the WIPSI and CII combined. Acquisitions less than \$25,000 will not be considered. ERDT may terminate the CII at any time at its sole discretion, however, any issued Letter of Offer will be honoured. The credit is considered government assistance and reduces the capital cost of the equipment for federal purposes. Note that the CII replaces the Manufacturing and Processing Investment Incentive Credit of 10% effective January 7, 2011.

The WIPSI does not pertain to the purchase of M&P equipment and is therefore not addressed in this section.

- (5) Qualifying M&P equipment in Prince Edward Island is that which qualifies for federal ITC purposes. The credit is considered to be government assistance and reduces the capital cost of the equipment for federal purposes. Unused credits may be carried forward seven years and carried back three years. An additional 25% credit is available to M&P companies which invest in expansion under the province's Enriched Investment Tax Credit Program. This tax rebate is available through a pre-approved certification process administered through the provincial government.

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Current as of December 31, 2011

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