



TaxNewsFlash

Canada

Highlights of the 2022 Saskatchewan Budget

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Saskatchewan's Finance Minister Donna Harpauer delivered the province's 2022 budget on March 23, 2022. The budget anticipates a deficit of \$2.2 billion for 2021-22 and projects deficits of \$463 million for 2022-23 and \$384 million for 2023-24. Although the budget does not announce any new changes to the corporate or personal tax rates, it retroactively increases the tax credit rate for the Saskatchewan Value-added Agriculture Incentive depending on the level of investment, and adds provincial sales tax (PST) to admissions and entertainment charges, among other changes.

Corporate tax changes

Corporate income tax rates

The budget does not announce changes to the province's corporate tax rates. As a result, Saskatchewan's corporate income tax rates are scheduled to remain as follows:

Saskatchewan Corporate Income Tax Rates		
	2022	2023
General	12%	12%
M&P	10%	10%
Small business ¹	0%/1% ²	1%/2% ³

¹ On first \$600,000 of active business income.

² Saskatchewan's small business tax rate is scheduled to increase to 1% on July 1, 2022.

³ Saskatchewan's small business tax rate is scheduled to increase to 2% on July 1, 2023.

In addition, the combined Saskatchewan and federal corporate income tax rates are scheduled to remain as follows:

Combined Federal and Saskatchewan Corporate Income Tax Rates			
		2022	2023
General		27%	27%
M&P		25%	25%
Small business	First \$500,000 of active business income	9%/10% ¹	10%/11% ²
	\$500,001 to \$600,000 of active business income	15/16% ¹	16/17% ²

¹ Saskatchewan's small business tax rate is scheduled to increase to 1% on July 1, 2022.

² Saskatchewan's small business tax rate is scheduled to increase to 2% on July 1, 2023.

Saskatchewan Value-added Agriculture Incentive

The budget enhances the tax credit rate for the Saskatchewan Value-added Agriculture Incentive up to 40% (from 15%), depending on the level of investment. This credit applies to capital expenditures valued at \$10 million or more for newly constructed or expanded value-added agriculture facilities in Saskatchewan. Qualifying projects may include canola crush facilities, pea protein processors, oat milling operations, malt producing operations and cannabis oil facilities. Specifically, the budget enhances the tax credit rate for the incentive at the following rates:

- 15% on the portion of a project up to \$400 million
- 30% on the portion of a project between \$400 million to \$600 million
- 40% on the portion of a project over \$600 million.

The enhanced tax credit rate is retroactive to the origin of the program in 2018, and the maximum credit available for a single qualifying project is \$250 million.

Saskatchewan Technology Start-up Incentive

The budget increases the annual cap of the maximum value of the Saskatchewan Technology Start-up Incentive tax credit to \$3.5 million per year (from \$2.5 million), effective April 1, 2022. This program offers a non-refundable 45% tax credit to individual, corporate or venture capital corporation investments in Eligible Start-up Businesses that are developing new technologies, or applying existing technologies in a new way, to create qualifying new proprietary products, services or processes. In its 2021 budget, the province extended the Saskatchewan Technology Start-up Incentive through to 2025-26.

Personal tax changes

Personal income tax rates

The budget does not announce any new changes to personal tax rates. As a result, Saskatchewan's personal income tax rates effective January 1, 2022 are as follows:

Personal Combined Federal/Saskatchewan Top Marginal Rates	
	2022
Interest and regular income	47.50%
Capital gains	23.75%
Eligible dividends	29.64%
Non-eligible dividends ¹	41.82%

¹ The top marginal tax rate on non-eligible dividends is scheduled to decrease to 40.86% for 2023 and 40.37% for 2024.

Indirect tax measures

PST on admission and entertainment charges

The budget applies the PST to admission and entertainment charges, effective October 1, 2022. This measure applies to sporting events, concerts, museums, fairs, gym memberships, golf memberships, among others. The budget provides exemptions for specific situations, including school sports, amateur theatre productions and certain recreational programs, where conditions are met.

PST exemption on audiobooks

The budget exempts audiobook sales from PST, effective April 1, 2022.

Taxation of tobacco products

The budget increases the tobacco tax rates, as of March 24, 2022. Specifically, the budget increases the tax on the following products to:

- Cigarettes — 29 cents per stick (from 27 cents)
- Loose tobacco (e.g., chew and roll-your-own) — 35 cents per gram (from 27 cents)
- Heat-not-burn tobacco — 21.8 cents per stick (from 20.5 cents).

Vapour Products Tax exemption in Lloydminster

The budget adds Saskatchewan's Vapour Products Tax to the list of tax-exempt purchases within the City of Lloydminster, effective March 24, 2022. This 20% tax applies on the retail price of all vapour liquids, products and devices.

Other tax measures

Federal Carbon Tax Backstop Fuel Charge

In the budget, the government announces that it is developing a proposal to take over administration and revenues from the federal carbon tax backstop fuel charge.

Education property tax

The budget increases the mill rates slightly for the 2022 Education Property Tax for certain property classes as follows:

- Agricultural — 1.42 (from 1.36)
- Residential — 4.54 (from 4.46)
- Commercial/industrial — 6.86 (from 6.75)
- Resource — 9.88 (from 9.79).

Video Lottery Terminal site commission rate

The budget increases the Video Lottery Terminal (VLT) site commission rate to 18% (from 15%), effective April 4, 2022. This commission rate is paid to VLT site operators for providing a space and electricity for VLTs and the required service, such as paying out prizes.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's Saskatchewan budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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