



Canadian tax alert

2019-2020 British Columbia budget highlights

February 19, 2019

The Minister of Finance, Carole James, presented the British Columbia 2019 budget on Tuesday February 19, 2019. This is the second annual budget presented by the NDP since taking office in 2017, and it is balanced with a small projected surplus for 2019-2020.

The following is a summary of the economic and tax highlights contained in the budget.

Fiscal/economic outlook

The Ministry of Finance's estimate of real GDP growth for 2018 remains unchanged at 2.2%. Although employment and exports performed better than expected and investment was positive, relative to the previous projection from the Ministry's First Quarterly Report 2018, there was some moderation in housing and consumer spending through 2018. The Ministry forecasts increased growth of 2.4% in 2019 and 2.3% in 2020, relative to its previous forecasts of 1.8% and 2.0%, respectively. The increased forecasts are due in part to recent developments regarding the Canada-

United States Mexico Agreement and the final decision on the LNG Canada project.

Personal tax measures

Personal income tax rates remain stable

Budget 2019 proposed no adjustments to the personal tax rates applicable to individuals. The top combined federal and provincial tax rates applicable in British Columbia for 2019, as compared with the current top marginal rates applicable in Alberta and Ontario, are shown in the following table:

Personal combined federal and provincial top marginal rates			
	BC	Alberta	Ontario
Interest and regular income	49.80%	48.00%	53.53%
Capital gains	24.90%	24.00%	26.76%
Eligible dividends	31.44%	31.71%	39.34%
Ineligible dividends	44.63%	42.30%	47.40%

New BC Child Opportunity Benefit

The current early childhood tax benefit, which applies only in respect of children under six years of age, will be replaced with a new BC Child Opportunity Benefit in respect of all children under 18 years of age.

The maximum benefit is \$1,600 for a family's first child, \$1,000 for the second child, and \$800 for each subsequent child. The value of the credit is reduced by 4% of a family's net income over \$25,000 until the value of the credit is \$700 for a family's first child, \$680 for a second child and \$660 for each subsequent child. A further reduction applies to a family with net income in excess of \$80,000, with the value of the benefit reduced by 4% of a family's net income above this threshold. The phase-out of the benefit will depend on the number of children and the net family income; for example, the benefit will fully phase out for a family with one child when net family income exceeds \$97,500, and for a family with two children when net family income exceeds \$114,500.

The new tax credit will be effective as of October 1, 2020.

Other personal measures

In addition, the government announced:

- The maximum annual climate action tax credit will be gradually increased from \$135 per adult and \$40 per child to: \$154.50 and \$45.50, respectively, effective as of July 1, 2019; \$174 and \$51, respectively, effective as of July 1, 2020; and \$193.50 and \$56.50, respectively, effective as of July 1, 2021.
- Confirmation that Medical Services Plan premiums, which have already been partially phased out and replaced with an employer health tax, will be entirely phased out as of January 1, 2020.
- Interest on the BC portion of student loans, will be eliminated, effective budget day. This measure will assist anyone with an outstanding student loan.

Business tax measures

Corporate income tax rates remain stable

Budget 2019 proposed no adjustments to the BC corporate income tax rates. The combined federal and provincial tax rates applicable in British Columbia as of January 1, 2019, as compared to the combined rates applicable in Alberta and Ontario, are shown in the following table:

Corporate combined federal and provincial income tax rates			
	BC	Alberta	Ontario
General	27.0%	27.0%	26.5%
M&P	27.0%	27.0%	25.0%
Small business	11.0%	11.0%	12.5%

Enhancement of small business venture capital tax credit program

Budget 2019 has doubled the annual tax credit limit an individual can claim for investments made under the small business venture capital tax credit program. The limit has increased to \$120,000 for investments made after February 19, 2019. Budget 2019 has made further changes to modernize and enhance the program, effective as of February 20, 2019:

- The maximum amount that eligible business corporations can raise through the program is doubled to \$10 million.
- Advanced commercialization is added as an eligible business activity for businesses outside the Metro Vancouver and Capital Regional Districts.
- Eligible small businesses and eligible business corporations can engage in activities related to scaling up their business after two years in the program.
- Companies are eligible for a reduction in the amount that they are required to reimburse the government if they exit the program after two years, rather than after three years.
- Equity purchases within a tax-free savings account are eligible for tax credits, and transfers to a tax-free savings account are permitted.

Effective March 2, 2019, investments in convertible equity issued by an eligible business corporation may qualify under the program.

Extension and expansion of certain tax credits

In addition to the above-noted measures, Budget 2019 announced:

- Confirmation that the BC mining flow-through share tax credit tax has been made permanent, as previously announced on January 29, 2019;
- A proposal to make the BC mining exploration tax credit permanent;
- The extension to the end of 2019 of training tax credits for employers and employees who are engaged in certain apprenticeship programs; and
- The extension of the new mine allowance tax credit for one year to the end of 2020.

Sales tax measures

There were no changes to provincial sales tax rates or exemptions in this budget. Furthermore, there were no changes in tobacco tax. The only rate change was for motor fuel tax, to enable the Translink service region to increase its motor fuel tax rates on clear gasoline and diesel from the current 17 cents per litre to a maximum 18.5 cents per litre. This amendment is effective July 1, 2019.

In terms of technical and administrative amendments, a new provision is added to the Provincial Sales Tax Act. The provision allows for an election when a principal uses an agent or a billing agent for collecting payments. Where a taxpayer elects, the taxpayer may designate a single party (likely the billing agent) responsible for tax collection, reporting and remittance. This provision is very similar to that in the GST legislation. It would allow vendors operating with agents to streamline their GST and PST obligations in a similar manner. Other technical amendments include conditions for small supplier eligibility, a retroactive amendment to ensure tax is payable when an exemption is not documented and a change in the timing of tax payments for promotional distributions.

For further details on Budget 2019, we refer you to the [Ministry of Finance website](#).

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