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Global Tax Alert

News from Americas Tax Center

Canada: British Columbia issues budget 2019/20

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Executive summary

On 19 February 2019, British Columbia Finance Minister Carole James tabled the province's fiscal 2019/20 budget. The budget contains no new taxes and no tax increases. The Minister anticipates a surplus of CA\$274 million¹ for 2019/20, and projects surpluses for each of the next two years.

Following is a brief summary of the key tax measures.

Detailed discussion

Business tax measures

Corporate tax rates

No changes are proposed to the corporate tax rates or the \$500,000 small business limit.

British Columbia's (BC) 2019 corporate tax rates are summarized in Table A.

Table A: BC corporate tax rates

	2019	
	BC	Federal and BC combined
Small-business tax rate*,**	2.0%	11.0%
General corporate tax rate	12.0%	27.0%

* The small business rate is based on a 31 December year end.

** The federal small business rate was reduced from 10.00% to 9.00% effective 1 January 2019.

Other business tax measures

The Minister also proposed the following business tax measures:

- ▶ As previously announced on 28 January 2019, the mining exploration tax credit and the mining flow-through share tax credit are made permanent, effective 1 January 2019.
- ▶ The new mine allowance is extended for one year to the end of 2020.
- ▶ Training tax credits are extended for one year to the end of 2019.
- ▶ The farmer's food donation tax credit is extended for one year to the end of 2020.
- ▶ The shipbuilding and ship repair industry tax credit is extended for three years to the end of 2022.

Small Business Venture Capital Tax Credit Program enhanced

Effective 20 February 2019:

- ▶ The maximum amount that eligible business corporations can raise through the tax credit program is increased to \$10 million from \$5 million.
- ▶ Advanced commercialization is added as an eligible business activity. The activity is limited to businesses outside the Metro Vancouver Regional District and Capital Regional District.
- ▶ Eligible small business corporations can engage in activities related to scaling up their business after two years in the tax credit program.
- ▶ Companies are eligible for a reduction in the amount they are required to reimburse the Government if they exit the tax credit program after two years instead of after three years.

Personal tax

Personal income tax rates

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

The 2019 British Columbia personal tax rates are summarized in Table B.

Table B: 2019 BC personal tax rates

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate	Sixth bracket rate
\$0 to \$40,707	\$40,708 to \$81,416	\$81,417 to \$93,476	\$93,477 to \$113,506	\$113,507 to \$153,900	Above \$153,900
5.06%	7.70%	10.50%	12.29%	14.70%	16.80%

For taxable income in excess of \$147,667, the 2019 combined federal-BC personal income tax rates are outlined in Table C.

Table C: Combined 2019 federal-BC personal tax rates

Bracket	Ordinary income*	Eligible dividends	Non-eligible dividends
\$147,668 to \$153,900	43.70%	23.02%	37.62%
\$153,901 to \$210,371	45.80%	25.92%	40.04%
Above \$210,371	49.80%	31.44%	44.64%

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

Personal tax credits

This budget proposes changes to the following personal credits/amounts:

BC Child Opportunity Benefit

- ▶ Effective 1 October 2020, a new BC Child Opportunity Benefit will be combined with the early childhood tax benefit into a single new benefit. The maximum benefit is \$1,600 for the family's first child, \$1,000 for a second child and \$800 for each subsequent child under the age of 18. The new benefit is reduced by 4% of family income over \$25,000 until it is equivalent to \$700 for the first child, \$680 for the second child and \$660 for each subsequent child under the age of 18. The new benefit is phased out at a rate of 4% of family net income over \$80,000. The \$25,000 and \$80,000 thresholds will be indexed to inflation in future years. For a family with one child, the new benefit will be fully phased out at \$97,500 of family net income.

Small Business Venture Capital Tax Credit Program enhanced

- ▶ Effective for 2019 and subsequent tax years, the annual tax credit limit that an individual can claim for investments made after 19 February 2019 is increased to \$120,000 from \$60,000.
- ▶ Effective 20 February 2019, share transfers are permitted to a tax-free savings account (TFSA) and equity purchases within a TFSA are eligible for tax credits.
- ▶ Effective 2 March 2019, investments in convertible equity issued by an eligible business corporation can qualify for a tax credit.

Other personal tax measures include:

- ▶ Effective 1 July 2019, the maximum annual climate action tax credit is increased to \$154.50 from \$135 per adult, and to \$45.50 from \$40 per child. Effective 1 July 2020, the maximum annual climate action credit is increased to \$174 per adult and to \$51 per child. Effective 1 July 2021 the maximum annual climate action credit is increased to \$193.50 per adult and to \$56.50 per child.
- ▶ Effective for 2018 and subsequent tax years, the disability tax credit can be applied in calculating the tax on split income.
- ▶ Effective for 2018 and subsequent tax years, split income can be included in the income threshold for calculating the medical expense tax credit.

Provincial sales tax

Effective on Royal Assent, the *Provincial Sales Tax Act* is amended to authorize a designation to streamline tax collection, reporting and remittance requirements for sales or leases involving agency. When a principal uses an agent to make a sale or lease, or when a billing agent is used to collect payments, the principal and agent can jointly designate a single party to be responsible for tax collection, reporting and remittance obligations. For sales made by auction, an auctioneer acting as agent is automatically designated as the party responsible for collecting, reporting and remitting tax unless the parties jointly elect to assign the obligations to the principal.

School Act

The longstanding rate-setting policy is that average residential class property taxes, before the application of the home owner grant, increase by the previous year's provincial inflation rate. This rate-setting policy has been in place since 2003 and will continue in 2019. The rates will be set in the spring.

Provincial non-residential class school tax rates set

A single province-wide school tax rate is set for each of the non-residential property classes. Consistent with longstanding policy, the rate for 2019, except for the rate for the industrial property classes, will be set so that non-residential tax revenue increases by inflation plus new construction. This rate-setting policy has been in place since 2005 and the rates will be set in the spring.

The major industry class tax rate and the light industry class tax rate will be set at the same rate as the business class tax rate, consistent with the policy announced in the British Columbia 2008 budget.

Provincial rural area property tax rates set

- ▶ A single rural area residential property tax rate applies province-wide. The longstanding rate-setting policy that average residential rural property taxes increase by the previous year's provincial inflation rate will continue for 2019.
- ▶ Consistent with longstanding policy, non-residential rural area property tax rates will be set so that total non-residential rural tax revenue will increase by inflation plus new construction. The rates will be set in the spring.

Other tax measures

Motor Fuel Tax Act

- ▶ Effective 1 July 2019, the *Motor Fuel Tax Act* is amended to enable the TransLink service region to increase its motor fuel tax rates on clear gasoline and clear diesel from the current rate of 17 cents per litre to a maximum of 18.5 cents per litre.

Eliminating interest on BC student loans

- ▶ Effective 19 February 2019, interest will no longer accrue on new and existing student loans provided through the British Columbia Student Loan Program.

Clean energy rebates

- ▶ The budget papers refer to rebates for clean energy retrofits for peoples' homes: \$2,000 to replace a fossil fuel (i.e., oil, propane or natural gas) heating system with an electric air-source heat pump; up to \$1,000 to upgrade windows and doors to be better insulated; and up to \$700 toward a higher-efficiency natural gas furnace. No further details are provided.

Other technical amendments to various acts

Various technical amendments

Budget 2019 introduces several changes to enhance tax administration and information sharing:

- ▶ Effective on Royal Assent, amendments to the *Income Tax Act*, *Property Tax Act* and *Taxation (Rural Area) Act* clarify provisions related to the sharing of information between these statutes.
- ▶ Effective on Royal Assent, amendments to the *Income Tax Act* also:
 - Allow taxpayer information to be shared to an official for the purposes of administering or enforcing the *Workers Compensation Act*
 - Clarify the Information and Privacy Commissioner's ability to access taxpayer information as part of an investigation, audit or inquiry
- ▶ Effective on Royal Assent, the *Carbon Tax Act* is amended to introduce a penalty for persons who sell natural gas at the retail level in British Columbia but are not registered as natural gas retail dealers.
- ▶ The amendments to the *Motor Fuel Tax Act* clarify:
 - Effective retroactive to 1 January 2018, refunds of motor fuel tax security related to sales of relabeled fuel
 - Effective retroactive to 20 February 2015, allowance for motor fuel tax collectors
 - Effective on Royal Assent, appeal rights
- ▶ The amendments to the *Provincial Sales Tax Act* clarify:
 - Effective retroactive to 1 April 2013, the tax treatment of vehicles brought into British Columbia to be immediately licensed as multi-jurisdictional vehicles
 - Effective on a date to be specified by regulation, refunds for motor vehicles returned to manufacturers

- Effective on Royal Assent, suspensions and cancellation of collector registrations
- Effective on Royal Assent, conditions for small seller eligibility
- Effective retroactive to 1 April 2013, the obligation to pay tax when an exemption is not documented
- Effective on Royal Assent, the timing of tax payments by promotional distributors
- Effective on Royal Assent, procedures regarding unspent municipal and regional district tax revenues held by dissolving societies
- ▶ Effective retroactive to 27 November 2018, the amendments to the *Speculation and Vacancy Tax Act* include correcting typographical errors and:
 - The *Speculation and Vacancy Tax Act* provides an exemption for property that is uninhabitable due to a natural disaster or a hazardous condition. The exemption applies when the property is unavailable for at least 60 days in a calendar year. This act is amended to clarify the application of the exemption of property that is rendered uninhabitable at the end of a calendar year. This amendment will ensure the exemption operates as intended.
 - Clarify that the tax due date of additional tax as a result of a *Speculation and Vacancy Tax Act* assessment due to a consequential assessment under another act is the later of 30 days after the *Speculation and Vacancy Tax Act* assessment and the annual tax due date.
 - ▶ Effective for the 2019 and subsequent tax years, amendments to the Community Charter and Vancouver Charter clarify the application of the assessment averaging provisions.

Endnote

1. Currency references in this Alert are to CA\$.

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