



## B.C. Budget Announcement - 2020

## B.C. BUDGET HIGHLIGHTS

On Tuesday, February 18, 2020, B.C. Minister of Finance Carole James presented the province's 2020 budget. Entitled "A Stronger BC, For Everyone," Budget 2020 introduces a new personal income tax rate and projects a surplus of \$227 million in 2020-21. Below are highlights of the tax measures included in the 2020 B.C. budget.

### A. Corporate Tax Measures

#### Corporate Tax Rates

No corporate income tax rate changes were announced in this year's budget. The current corporate income tax rates for 2020 are outlined below:

	Small Business Corporations		General Corporations	
	Rate	Threshold	Non-M&P	M&P
Federal	9.0%	\$500,000	15.0%	15.0%
British Columbia	2.0%	\$500,000	12.0%	12.0%

#### Film Incentive BC and Production Services Tax Credit Certification Fees Set

Effective February 19, 2020, the accreditation certificate fee for the production services tax credit is increased to \$10,000. Other amounts for the Film Incentive BC and production services tax credit are set at historical amounts.

#### Production Services Tax Credit Pre-Certification Notification Introduced

Effective July 1, 2020, corporations intending to claim the production services tax credit must notify the certifying authority of their intent within 60 days of first incurring an expenditure eligible for the tax credit.

#### Training Tax Credits for Employers Extended

The training tax credits are extended to the end of 2022.

### B. Personal Tax Measures

#### Personal Tax Rates

The province introduced a new tax rate of 20.50 percent on taxable income above \$220,000, effective January 1, 2020. The current top combined federal and B.C. marginal rates for 2020 are outlined below:

Salary, business income, interest	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.90%

#### New Personal Income Tax Rate Introduced

Taxable income exceeding \$220,000 will be subject to a provincial personal income tax rate increase of 3.7 percent, bringing the top marginal rate from 16.8 percent to 20.5 percent.

As a consequence of this tax rate increase, the charitable donation tax credit for individuals is increased to 20.5 percent for charitable donations in excess of \$200.

## **Training Tax Credits for Apprentices Extended**

The training tax credits are extended to the end of 2022.

## **Farmers' Food Donation Tax Credit Extended**

The Farmers' Food Donation Tax Credit is being extended to the end of 2023.

## **Calculation of Medical Expense Tax Credit Adjusted**

Effective for 2018 and subsequent tax years, split income can be included in the income threshold for calculating the medical expense tax credit.

## **C. Indirect Tax Measures**

### **Provincial Sales Tax Act**

*Exemptions for Certain Beverages (i.e., soft drinks/pop) Eliminated:* Effective July 1, 2020, carbonated beverages that contain sugar, natural sweeteners or artificial sweeteners no longer qualify for the exemption for food products for human consumption. For administrative ease, provincial sales tax (PST) will also apply to all beverages that are dispensed through soda fountains, soda guns or similar equipment, along with all beverages dispensed through vending machines (except vending machines wholly dedicated to dispensing beverages other than sweetened carbonated beverages, e.g. coffee or water machines).

*Registration Requirements Expanded:* Effective July 1, 2020, Canadian sellers of goods, along with Canadian and foreign sellers of software and telecommunication services, will be required to register as tax collectors if specified B.C. revenues exceed \$10,000. In addition, all Canadian sellers of vapour products will be required to register if they cause vapour products to be delivered to B.C. consumers. These requirements will result in PST being collected by a greater number of businesses in the digital economy.

*Exemptions for Pollution Control and Waste Management Machinery and Equipment Expanded:* Effective February 19, 2020, the exemptions for machinery and equipment purchased or leased by qualifying manufacturers and resource industry businesses for use in pollution control or waste management are amended to eliminate restrictions regarding the location at which the machinery or equipment are used.

*Exemption Provided for Electric Aircraft:* Effective February 19, 2020, electric aircraft are exempt from PST. In addition, a refund is available for PST paid on or after February 19, 2020, in relation to non-electric aircraft obtained for the purpose of converting the aircraft to operate solely on electricity, as well as for PST paid on parts and related services obtained for this purpose.

*Refund for Real Property Contractors Working Outside B.C. Expanded:* Effective February 19, 2020, real property contractors who perform value-added work to goods and then install those goods into real property outside B.C. can apply for refunds of the PST paid on those goods.

## **Carbon Tax Act**

Effective April 1, 2020, the B.C. carbon tax rates for 2020 and 2021 are aligned with the federal carbon pricing backstop methodology, where applicable. As part of this realignment, the current B.C. rates for shredded and whole tires are also being replaced with a new category for “combustible waste.”

B.C. carbon taxes are being updated to reflect the latest science on emissions. For some fuel types, the rates are lower than their original scheduled rates; for example, the tax rate on gasoline will be 9.96 cents per litre on April 1, 2020, rather than 10.01 cents per litre. For other types, the rates are higher than originally proposed; for example, the tax rate on natural gas will be 8.82 cents per cubic metre, as opposed to 8.55 cents per cubic metre. The B.C. carbon tax rates will be reviewed again in 2022.

## **Motor Fuel Tax Act**

Effective April 1, 2020, the refund rates for International Fuel Tax Agreement licensees are adjusted to reflect the alignment of the carbon tax with the federal carbon pricing backstop methodology. This will ensure such licensees pay the correct carbon tax on fuel they use in B.C.

## **Tobacco Tax Act**

Effective April 1, 2020, a default tax of 29.5 cents per heated tobacco product is introduced. A heated tobacco product is a product containing tobacco and is designed to be heated, but not combusted, in a tobacco heating unit to produce a vapour for inhalation.

## **D. Other Tax Measures**

### **Exemption from Additional Property Transfer Tax for Certain Canadian-Controlled Limited Partnerships Introduced**

Effective on a date to be specified by regulation, a new exemption will be introduced for qualifying Canadian-controlled limited partnerships. This exemption will treat these partnerships in a manner more consistent with Canadian-controlled corporations and will ensure new housing developments are treated similarly, irrespective of whether the development is being undertaken by a Canadian-controlled corporation or Canadian-controlled limited partnership.

### **Threshold for Home Owner Grant Phase-Out Decreased**

As previously announced on January 3, 2020, the threshold for the phase-out of the home owner grant is decreased to \$1,525,000 from \$1,650,000 for the 2020 tax year. For properties above the threshold, the grant continues to be reduced by \$5 for every \$1,000 of assessed value in excess of the threshold.

### **New Mine Allowance Extended**

Effective on a date to be specified by regulation, the new mine allowance is extended for five years to the end of 2025.

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