

HIGHLIGHTS FROM THE BRITISH COLUMBIA BUDGET

Finance Minister Selina Robinson tabled the 2022 British Columbia provincial budget on February 22, 2022.

Due to better-than-expected economic growth, the deficit for the 2021/22 fiscal year is anticipated to be \$483 million, which is less than the previous projection of \$9.7 billion. The budget projects a deficit of \$5.5 billion for 2022/23 and \$4.2 billion for 2023/24 fiscal years.

There were no increases or decreases to personal or corporate income tax rates for 2022. However, the budget includes a temporary clean buildings tax credit, PST exemptions on zero-emission vehicles and the extension of certain tax credits.

The following pages are a summary of the changes announced in the budget. Please note that these changes are proposals until they are passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

The budget leaves personal income tax rates unchanged from 2021. Tax brackets and other amounts have been indexed by 2.1% to recognize the impact of inflation. The table below shows British Columbia tax rates and tax brackets for 2022.

TAXABLE INCOME RANGE	2022 TAX RATES
First \$43,070	5.06%
Over \$43,070 to \$86,141	7.70%
Over \$86,141 to \$98,901	10.50%
Over \$98,901 to \$120,094	12.29%
Over \$120,094 to \$162,832	14.70%
Over \$162,832 to \$227,091	16.80%
Over \$227,091	20.50%

The table below shows the 2022 combined federal and provincial highest marginal tax rates for various types of income.

INCOME TYPE	2022 COMBINED TAX RATES
Regular income	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.89%

CORPORATE TAX MATTERS

Corporate income tax rates

The table below shows British Columbia tax rates and the small business limit for 2022.

CATEGORY	2022 TAX RATES
General rate	12%
Manufacturing and processing rate	12%
Investment income rate	12%
Small business rate	2%
Small business limit	\$500,000

The table below shows the 2022 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

INCOME TYPE	2022 COMBINED TAX RATES
Small business income	11%
Active income over \$500,000	27%
Manufacturing and processing income	27%
Investment income	50.67%

Clean buildings tax credit

Effective February 23, 2022, a new temporary tax credit will be introduced for retrofits that improve the energy efficiency of multi-unit residential buildings with four or more dwellings and prescribed types of commercial buildings.

Taxpayers who improve the energy efficiency of buildings to meet the prescribed energy use targets after the retrofit is completed can receive a refundable tax credit of 5% of eligible expenditures made before April 1, 2025, and under a contract entered after February 22, 2022.

Extension of tax credits

The budget includes an extension to the following tax credits:

- The scientific research and experimental development tax credit is extended for five years to August 31, 2027.
- The training tax credits for apprentices and employers are extended for two years to the end of 2024.
- The shipbuilding and ship repair industry tax credit is extended for two years to the end of 2024.

OTHER INITIATIVES

Zero-emission vehicles

Effective February 23, 2022, used zero-emission vehicles are exempt from provincial sales tax (PST). The exemption applies to sales of all used zero-emission vehicles from motor dealers, as well as private sales of used zero-emission vehicles that have been driven for at least 6,000 kilometres. The exemption applies for five years to encourage consumers to adopt zero-emission vehicles and is scheduled to end on February 22, 2027.

The passenger vehicle surtax threshold for zero-emission vehicles is increased to \$75,000 from \$55,000 effective February 23, 2022. This measure reflects that the cost of zero-emission vehicles is greater than the cost of comparable internal combustion engine models. The increased surtax threshold for zero-emission vehicles applies for five years to encourage consumers to adopt zero-emission vehicles and is scheduled to end on February 22, 2027.

Hydrogen fuel

Effective February 23, 2022, hydrogen fuel will be exempt from the motor fuel tax provided that:

- the hydrogen is purchased for use in an internal combustion engine vehicle; and
- the hydrogen is not produced by electrolysis using coal-generated electricity unless the carbon dioxide emitted from this process is captured and stored or captured and sequestered.

Tax collection, remittance and reporting obligations for marketplace facilitators

Effective July 1, 2022, businesses that facilitate sales or leases of certain goods, services or software for third parties through their online platform, including accepting payment from a consumer (“marketplace facilitators”), will be required to collect and remit PST on those sales and leases made in B.C. This obligation will apply to sales of taxable goods shipped from within Canada, taxable services (including short-term rentals and other taxable accommodation, but not including legal services), software and leases of goods made through a marketplace facilitator. Sellers will be relieved of their obligation to collect and remit PST on sales and leases made through a marketplace facilitator. Marketplace facilitators will also be required to charge PST on marketplace facilitation services they provide to sellers effective July 1, 2022.

Speculation and vacancy tax

Effective for the 2021 tax year only, the exemption for hazardous or damaged residential property is expanded to apply to properties that were damaged by the floods in late 2021 in Abbotsford, Chilliwack and Mission. The exemption for hazardous or damaged residential property requires that a property is uninhabitable for a period of at least 60 days. The exemption is temporarily expanded to allow properties in Abbotsford, Chilliwack and Mission to claim the exemption if the property was uninhabitable for less than 60 days and if the disaster prevented them from claiming another exemption under the Act. The exemption is available in the following calendar year after the damage occurs if the residence is still uninhabitable before March 1. The budget also makes the exemption for “strata accommodation” properties, which was set to permanently expire at the end of the 2021 tax year.

Equity tax credit for clean technology

Effective for the 2022 to 2024 fiscal years, the total tax credit budget is temporarily increased to \$41 million from \$38.5 million. This \$2.5 million increase is being allocated to investments in clean technology businesses. Since the tax credit provides investors up to 30% of equity investment, this change supports up to \$8.3 million in additional equity financing for qualifying corporations annually.

Heat pumps and fossil fuel heating equipment

Effective April 1, 2022, heat pumps will be exempt from PST. If a heat pump is purchased before April 1, 2022, to fulfill a contract where the heat pump is installed into real property on or after April 1, 2022, the person who paid the PST on the heat pump will be eligible to apply for a tax refund.

To further incentivize the switch to heat pumps, the PST on a fossil fuel combustion system that heats, or cools buildings or water is increased from 7% to 12% effective April 1, 2022. Transitionally, fossil fuel combustion systems will generally be subject to an effective tax rate of 7% where, in relation to contracts entered before February 23, 2022, a fossil fuel combustion system is installed into real property on or after April 1, 2022. For contracts entered on or after February 23, 2022, fossil fuel combustion systems will be subject to the 12% rate if they are installed into real property on or after April 1, 2022. Detailed transition rules will be published by the Ministry of Finance.

Tobacco

Effective July 1, 2022, PST will apply to tobacco.

Various technical measures

The budget introduces several technical amendments to various enactments including the Carbon Tax Act, Income Tax Act, Land Tax Deferment Act, Motor Fuel Tax Act, Property Transfer Tax Act, Provincial Sales Tax Act and the Speculation and Vacancy Tax Act.

WE CAN HELP

Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact. The resources available to you and your advisor include CI Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

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