

Tax highlights from the 2018 British Columbia budget

Finance Minister Carole James tabled the second budget of the new British Columbia provincial government on February 20, 2018. The budget reflects an upward revision to the 2017 real gross domestic product (GDP) estimate to 3.4% from 2.9% estimated in the 2017 budget. Budget 2018 forecasts economic growth of 2.3% in 2018.

Budget 2018 projects surpluses of \$219 million in the 2018-19 fiscal year, \$281 million in 2019-20 and \$284 million in 2020-21. Capital spending over the three-year fiscal plan will total a record-level \$15.8 billion.

There were no changes to personal or corporate income tax rates. There were, however, certain tax credits introduced, eliminated and extended as well as certain fees eliminated, such as medical services plan premiums. Property tax rates also increased in certain cases.

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

PERSONAL TAX MATTERS

Personal income tax rates and tax brackets

Tax brackets and personal credit amounts have been indexed by 2.0% for 2018.

The table below shows British Columbia tax rates and brackets for 2018.

Taxable income range	2018 tax rates
\$10,413 - \$39,676	5.06%
\$39,677 - \$79,353	7.70%
\$79,354 - \$91,107	10.50%
\$91,108 - \$110,630	12.29%
\$110,631 - \$150,000	14.70%
\$150,001 and over	16.80%

The table below shows the 2018 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2018 combined tax rates
Regular income	49.80%
Capital gains	24.90%
Eligible dividends	34.20%
Non-eligible dividends	43.73%

New BC caregiver credit

Effective for 2018 and subsequent tax years, the caregiver tax credit and the infirm dependent tax credit are replaced with a new BC caregiver tax credit.

The non-refundable BC caregiver credit, which parallels the federal government's Canada caregiver credit, is available to British Columbians who care for an eligible adult relative who is dependent on the caregiver because of a mental or physical infirmity. The maximum BC caregiver credit amount is \$4,556 per infirm dependent for 2018, providing a benefit of up to \$231, and is indexed to inflation for future years.

Education tax credit eliminated

Following the elimination of the federal education tax credit effective for 2017 and subsequent tax years, the BC education tax credit is eliminated effective 2019 and subsequent tax years. Unused BC education amounts carried forward from years prior to 2019 remain available to be claimed in 2019 and subsequent tax years.

Mining flow-through share tax credit extended

Budget 2018 extends the mining flow-through share tax credit one year to the end of 2018.

Farmers' food donation tax credit extended

The farmers' food donation tax credit is extended for one year to the end of 2019.

CORPORATE TAX MATTERS

Corporate income tax rates

The table below shows British Columbia tax rates and the small business limit for 2018.

Category	2018 tax rates
General rate	12.0%
Manufacturing and processing rate	12.0%
Investment income rate	12.0%
Small business rate	2.0%
Small business limit	\$500,000

The table below shows the 2018 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2018 combined tax rates
Small business income	12.0%
Active income over \$500,000	27.0%
Manufacturing and processing income	27.0%
Investment income	50.7%

New employer health tax

To replace revenue lost by the elimination of medical services plan premiums, Budget 2018 proposes a new employer health tax effective January 1, 2019. The tax will not apply to employers with payroll under \$500,000. Employers with payroll over \$1.5 million will pay the maximum rate of 1.95% on their total payroll. For employers with payroll between \$500,000 and \$1.5 million, the tax rate will phase in gradually until it reaches 1.95% at \$1.5 million in total payroll.

Interactive digital media tax credit extended

The interactive digital media tax credit is extended for five years to August 31, 2023.

Book publishing tax credit extended

Budget 2018 extends the book publishing tax credit for three years to March 31, 2021.

Film incentive BC tax credit expanded to scriptwriting

Effective for expenditures incurred on or after February 21, 2018, the film incentive BC tax credit is expanded to include scriptwriting expenditures on BC labour incurred by a corporation prior to the completion of the final script stage of the production.

OTHER PROPOSALS

Medical services plan premiums eliminated

Effective January 1, 2020, medical services plan premiums will be eliminated. This follows the 50% reduction in premiums effective January 1, 2018, announced in the 2017 Budget Update. Once eliminated, single individuals will see annual savings of up to \$900 and families will see annual savings of up to \$1,800.

New speculation tax with corresponding income tax credit

Budget 2018 proposes a new speculation tax on residential property in BC. The new annual property tax will target foreign and domestic home owners who do not pay income tax in BC, including those who leave their homes vacant. Satellite families – households with high worldwide income that pay little income tax in BC – will also be captured by the tax. The tax will be effective for the 2018 and future tax years. Upfront exemptions will be available for most principal residences and qualifying rental properties.

A non-refundable income tax credit will also be introduced to offset the new property tax. This will provide relief for persons who do not qualify for an up-front exemption, but who pay income taxes in BC. The income tax credit can be carried forward to future years.

The new annual property tax will initially apply to the Metro Vancouver, Fraser Valley, Capital and Nanaimo Regional Districts and in the municipalities of Kelowna and West Kelowna. In 2018, the tax rate will be \$5 per \$1,000 of assessed value. In 2019, the tax rate will rise to \$20 per \$1,000 of assessed value.

Property transfer tax rate increase on properties that exceed \$3 million

Effective February 21, 2018, a further tax rate of 2% is applied to the fair market value of certain taxable transactions that exceed a threshold of \$3 million. The rate of tax above the threshold is now a total of 5%, made up of the existing 3% on the fair market value of taxable transactions above \$2 million and the new 2% rate on the portion above \$3 million.

Additional property transfer tax rate increased and area expanded

Effective February 21, 2018, the additional property transfer tax (foreign buyers' tax) rate is increased to 20% from 15%. In addition, the tax is expanded to the Capital Regional District, the Regional District of Central Okanagan, the Fraser Valley Regional District and the Regional District of Nanaimo. For these newly added areas, there are transitional rules that may exempt eligible property transactions entered into before February 21, 2018. There are no transitional rules for transactions in Metro Vancouver.

Homeowner grant threshold increased

As announced on January 3, 2018, the property value threshold for the full home owner grant is increased to \$1.65 million for the 2018 tax year, up from \$1.6 million in 2017. For properties valued above the threshold, the grant is reduced by \$5 for every \$1,000 of assessed value in excess of the threshold.

Increased school tax on most residential properties in excess of \$3 million

Effective for the 2019 tax year and subsequent years, a province-wide increased school tax is introduced on high-valued residential properties. The increased tax applies to the portion of a residential property's taxable assessed value that exceeds \$3 million.

A tax rate of 0.2% applies to the portion of assessed value that exceeds \$3 million but does not exceed \$4 million, and a tax rate of 0.4% applies to the portion of residential assessed value that exceeds \$4 million.

Real estate – ownership transparency and enforcement measures

In an attempt to gain clarity around real estate ownership for the purpose of identifying speculators, tax frauds and those engaged in money laundering, the government will soon require more information about beneficial ownership on Property Transfer Tax forms, establish a registry that will contain information about beneficial ownership of land in BC and require corporations in BC to hold accurate and up-to-date information on beneficial owners. This work is ongoing and is part of a multi-stage plan to ensure that government agencies have the information they need to enforce tax compliance.

Child care fee reduction

Starting on April 1, 2018, Budget 2018 proposes a child care fee reduction for parents with children in licensed care, provided the child care provider opts in to the program. The reductions will be up to \$350/month for group infant/toddler care; up to \$200/month for family infant/toddler care; up to \$100/month for group care for children aged three to five; and, up to \$60/month for family care for children aged three to five.

New affordable child care benefit

Budget 2018 will also fund a new affordable child care benefit, which families will be able to apply for beginning in September 2018. The benefit will provide up to \$1,250/month in child care cost relief by 2020. Families with pre-tax incomes of \$45,000 or less will receive the full benefit, up to the cost of care. Those who earn up to \$111,000 will receive a reduced amount, according to income levels.

An online benefit calculator will be available to help parents determine what they will receive based on their income and type of licensed care.

Luxury surtax rates on passenger vehicles increased

Effective April 1, 2018, the luxury surtax on passenger vehicles is increased. The rate on passenger vehicles with a purchase price from \$125,000 to \$149,999 is increased to 15% from 10%, and the rate on passenger vehicles with a purchase price of \$150,000 and above is increased to 20% from 10%. The general rate on private sales is also increased to 15% from 12% on passenger vehicles with a purchase price from \$125,000 to \$149,999, and to 20% from 12% on passenger vehicles with a purchase price of \$150,000 and above. The rates apply to sales of both new and used passenger vehicles.

Capital regional district motor fuel tax rates increased

Effective April 1, 2018, the motor fuel tax rates on clear gasoline and clear diesel in the Capital Regional District are increased to 5.5 cents per litre from 3.5 cents. The additional 2 cents per litre is expected to raise \$7 million annually to help finance the Victoria Regional Transit System.

Tobacco tax rates increased

Budget 2018 increases tobacco tax rates effective April 1, 2018. The tax rate on cigarettes is increased to 27.5 cents per cigarette from 24.7 cents. The tax rate on loose tobacco is increased to 37.5 cents per gram from 24.7 cents.

Increased benefits for Rental Assistance Programs

The Shelter Aid for Elderly Renters (SAFER) program and Rental Assistance Program (RAP) make housing more affordable for low-income seniors and working families who rent their homes in the private market.

To keep up with increasing rent costs, Budget 2018 invests \$116 million over three years to increase the average benefit under the RAP and SAFER programs. Eligibility criteria for RAP will also be expanded. Effective September 2018, on average, seniors will receive an extra \$930 per year, and the increase for families will be about \$800 more per year.

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 Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

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