

## HIGHLIGHTS FROM THE BRITISH COLUMBIA BUDGET

Finance Minister Selina Robison tabled the 2021 British Columbia provincial budget on April 20, 2021.

The deficit for the 2020-2021 fiscal year is anticipated to be \$8.1 billion, which is less than the previous prediction of \$13.6 billion. The budget projects a deficit of \$9.7 billion for 2021-2022 and \$5.5 billion in 2022-2023.

There were no increases or decreases to personal or corporate income tax rates for 2021. However, the budget did include extensions of certain tax credits, PST exemptions on electric bicycles and tricycles, and increases to tobacco tax rates.

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

## PERSONAL TAX MATTERS

### Personal Income Tax Rates and Tax Brackets

The 2021-2022 budget leaves personal income tax rates unchanged from 2020. Tax brackets and other amounts have been indexed by 1.1% to recognize the impact of inflation. The table below shows British Columbia tax rates and brackets for 2021.

TAXABLE INCOME RANGE	2021 TAX RATES
First \$42,184	5.06%
Over \$42,184 to \$84,369	7.70%
Over \$84,369 to \$96,866	10.50%
Over \$96,866 to – \$117,623	12.29%
Over \$117,623 to \$159,483	14.70%
Over \$159,483 to – \$222,420	16.80%
Over \$222,420	20.50%

The table below shows the 2021 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2021 COMBINED TAX RATES
Regular income	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.89%

## Requirement to Repay B.C. Emergency Benefit for Workers Waived

Self-employed individuals are not required to repay the B.C. Emergency Benefit for Workers if they would have qualified for the benefit or the Canada Emergency Response Benefit on their gross income. This mirrors a federal change to the Canada Emergency Response Benefit.

## Home Owner Grant

The budget confirms the increase to the threshold for the phase-out of the home owner grant to \$1.625 million from \$1.525 million for the 2021 tax year. For properties valued above the threshold, the grant is reduced by \$5 for every \$1,000 of assessed value that exceeds the threshold. This grant does not have an income test. It benefits home owners who live in their home as their principal residence.

## Remission of Probate Fees on Memorial Grants

Effective July 1, 2021, amounts received from the federal Memorial Grant Program for First Responders by a person's estate will not be subject to probate fees.

## CORPORATE TAX MATTERS

### Corporate Income Tax Rates

The table below shows British Columbia tax rates and the small business limit for 2021.

CATEGORY	2021 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 2021 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2021 COMBINED TAX RATES
Small business income	11%
Active income over \$500,000	27%
Manufacturing and processing income	27%
Investment income	50.67%

### Mining Flow-Through Share Tax Credit Eligibility

The budget confirms the temporary extension of the mining flow-through share tax credit eligibility period during which an expenditure must be incurred by the issuer to be renounced in favour of flow-through shares by 12 months. The 12-month extension applies to flow-through share agreements entered into on or after March 1, 2018 and before 2021 when using the general rule. It also applies to agreements entered into in 2019 or 2020 when using the look-back rule.

## **Book Publishing Tax Credit**

The book publishing tax credit is available to CCPCs carrying on business primarily through a permanent establishment in British Columbia whose principal business is book publishing. The budget extends this credit for five years to March 31, 2026 to include the base amount of [Support for Publishers](#) contributions under the federal [Canada Book Fund](#) (CBF) received before April 1, 2026. Eligible book publishers may receive a credit of up to 90% of the base amount of Support for Publishers contributions received in the tax year.

## **OTHER INITIATIVES**

### **Climate Action Tax Credit**

Effective July 1, 2021, the climate action tax credit rate remains at \$174 per adult and \$51 per child due to the delay in the carbon tax rate increase. Rates will increase to \$193.50 per adult and \$56.50 per child on July 1, 2022, in line with the corresponding carbon tax rate increase.

This alters the schedule established by the 2019 budget by one year. Delaying the climate action tax credit increase aligns with the delay to carbon tax increases.

### **Carbon Tax Rate**

The budget delays the increase to carbon tax rates. The carbon tax rates are set at \$45 per tonne of carbon dioxide equivalent emissions effective April 1, 2021. Rates will increase to \$50 per tonne on April 1, 2022. This alters the schedule established by the 2017 budget update, which would have increased carbon tax rates to \$45 and \$50 per tonne on April 1, 2020, and April 1, 2021, respectively.

### **Fuel Tax Refund for Persons with Disabilities**

Effective April 20, 2021, eligibility for the motor fuel tax refund for persons with disabilities is expanded to include recipients of disability assistance, or a disability supplement, from Indigenous Services Canada. Eligibility is also expanded to include anyone who is in receipt of a 100% disability pension resulting from service as a member of Her Majesty's forces, whether this pension relates to an injury sustained in a war.

The motor fuel tax refund for persons with disabilities provides refunds of up to \$500 per calendar year to people with qualifying disabilities.

### **Provincial Sales Tax Exemption for Electric Bicycles and Tricycles**

Effective April 21, 2021, electric bicycles and tricycles are exempt from provincial sales tax. The exemption includes conversion kits used to electrify conventional bicycles and tricycles, and parts and services for electric bicycles and tricycles.

For the purpose of these exemptions, electric bicycles or tricycles must have pedals or hand cranks that allow for human propulsion, wheels with a minimum diameter of 350 millimetres and maximum motor power of 500 watts. Additionally, they must be limited to a motor-assisted speed of 32 kilometres per hour and must not have a combustion engine or be marketed or designed to have the appearance of a motorcycle, moped or scooter.

### **Elimination of Provincial Sales Tax Refunds on Certain Motor Vehicles**

The budget eliminates the provincial sales tax refund for motor vehicles purchased and resold within seven days, effective on a date to be set by regulation. Concurrently, persons who purchase vehicles will be deemed to have purchased the vehicles for their own use, and not for resale, unless they represent otherwise to the seller at the time of purchase.

## **Tobacco Tax Rates for Cigarettes, Heated Tobacco Products and Loose Tobacco**

Effective July 1, 2021, the tax rate on cigarettes is increased to 32.5 cents from 29.5 cents per cigarette (to \$65 from \$59 per carton of 200 cigarettes). The default tax on heated tobacco products is also increased to 32.5 cents from 29.5 cents per heated tobacco product.

Also, effective July 1, 2021, the tax rate on loose tobacco (tobacco in a form other than cigarettes, cigars or heated tobacco products) is increased to 65 cents from 39.5 cents per gram.

## **Speculation and Vacancy Tax Act**

Beginning in the 2021 tax year, corporations owned by agents of government can claim an exemption from the speculation and vacancy tax, consistent with corporations owned by municipalities, regional districts and Indigenous nations. The existing exemption for registered charities that own property is extended to situations where the registered charity is not on title, but rather holds the property through a trust.

## **Various technical measures**

The budget introduces a number of technical amendments to various tax acts including the Assessment Act, Employer Health Tax Act, Hydro and Power Authority Act, Income Tax Act, Police Act, Ports Property Tax Act, Property Transfer Tax Act, Provincial Sales Tax Act, Speculation and Vacancy Tax Act and Vancouver Charter for clarity and certainty.

## **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.

[For more information, we encourage you to speak to your advisor or visit us at \[assante.com\]\(https://www.assante.com\)](https://www.assante.com)

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