

Budget 2020

# British Columbia

Making sense of what's next.

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## February 2020

On February 18, 2020, Finance Minister and Deputy Premier Carole James tabled British Columbia's 2020 budget. This budget sees the province experiencing strong economic growth and making significant investments in various social and economic areas.

From a fiscal perspective, the province continues to project surpluses over the next three years as follows:

Year	Projected surplus
2020-21	\$227 million
2021-22	\$179 million
2022-23	\$374 million

Although most of the tax changes in Budget 2020 are relatively minor, one significant change includes a new top tax bracket for individuals in BC at 20.5%. There are also several changes to various sales tax measures included in this budget.



## Income tax measures

### Personal income tax rates

Budget 2020 introduces a new top personal income tax bracket. Effective January 1, 2020, taxable income exceeding \$220,000 will be subject to a provincial personal income tax rate of 20.5 %.

BC's personal tax brackets and rates are summarized as follows:

2020 taxable income	2020 tax rates	2019 taxable income	2019 tax rates
First \$41,725	5.06%	First \$40,707	5.06%
\$41,726 to \$83,451	7.70%	\$40,708 to \$81,416	7.70%
\$83,452 to \$95,812	10.50%	\$81,417 to \$93,476	10.50%
\$95,813 to \$116,344	12.29%	\$93,477 to \$113,506	12.29%
\$116,345 to \$157,748	14.70%	\$113,507 to \$153,900	14.70%
\$157,749 to \$220,000	16.80%	Over \$153,900	16.80%
<b>Over \$220,000</b>	<b>20.50%</b>		

The top combined federal and BC marginal tax rates for 2020 have increased as follows:

Type of income	2020	2019
Regular	<b>53.50%</b>	49.80%
Capital gains	<b>26.75%</b>	24.90%
Eligible dividends	<b>36.54%</b>	31.44%
Regular dividends	<b>48.89%</b>	44.64%

### Corporate tax rates

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

BC's corporate tax rates for 2020 are summarized as follows:

### Combined federal and BC corporate tax rates

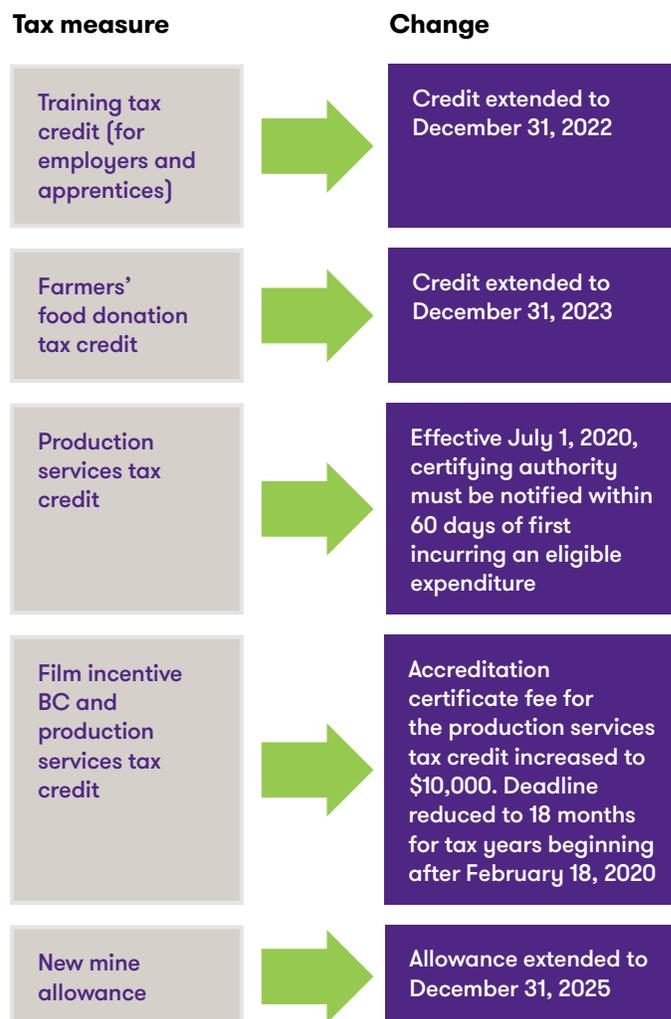
Year	Small business tax rate	General corporate tax rate	Manufacturing and processing tax rate
2020	11.00%	27.00%	27.00%

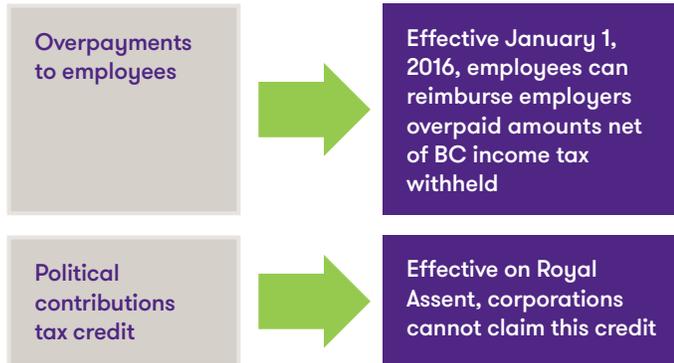
### Medical Services Plan (MSP) premiums

As mentioned in Budget 2019, MSP premiums were eliminated effective January 1, 2020. The Employer Health Tax, a tax payable by businesses based on total payroll, effectively replaced the MSP as of January 1, 2019.

### Additional measures

The following changes have been made to existing measures:





- **Registration for PST:** Effective July 1, 2020, new PST registration requirements will apply to:
  - Canadian sellers of goods, and Canadian and foreign sellers of software and telecommunication services, with specified BC revenues exceeding \$10,000 — it will no longer be necessary for the sellers:
    - to be soliciting persons in British Columbia, and
    - in the case of the sale of software or telecommunication services, to be located in Canada
  - Canadian sellers of vapour products who deliver to BC consumers

## Sales and excise tax measures

### Tobacco tax act - Vaping products

A tax of 29.5 cents per heated tobacco product is introduced, effective April 1, 2020. The tax can be changed by regulation for specific heated tobacco products.

Dealers of heated tobacco products will have to be authorized by the director as follows:

- A currently unauthorized dealer must inform the director of the intent to sell or use a new heated tobacco product no later than 90 days after the intended first sale or use.
- A dealer that is currently selling heated tobacco products and intends to continue must inform the director no later than April 30, 2020.

### Provincial sales tax

Several changes to provincial sales tax (PST) rules have been introduced:

- **Carbonated beverages:** Carbonated beverages that contain sugar, natural sweeteners or artificial sweeteners will no longer qualify for the exemption for food products for human consumption effective July 1, 2020. PST also applies to all beverages that are dispensed through soda fountains, soda guns or similar equipment, along with all beverages dispensed through vending machines, effective July 1, 2020 (except vending machines wholly dedicated to dispensing beverages other than sweetened carbonated beverages, e.g., coffee or water machines).
- **Electric aircraft:** PST on electric aircraft is eliminated effective February 19, 2020, and a refund of PST paid on or after that date on the purchase of a non-electric aircraft, parts and related services for the purpose of converting the aircraft to operate solely on electricity.

- **Pollution control and waste management machinery and equipment:** Restrictions are eliminated on pollution control or waste management businesses, with respect to the location of use of the machinery and equipment used, effective February 19, 2020.
- **Contractors:** Real property contractors can apply for a refund of PST, effective February 19, 2020, if they perform value-added work to goods and install those goods into real property outside BC.
- **Motor vehicle dealers and manufacturers:** Higher PST rates for motor vehicle dealers and manufacturers will apply on change in use of a vehicle in sale or lease inventory, effective March 1, 2020, as follows:
  - Average value between \$125,000 to \$149,999.99 – rate increased from 10% to 15%
  - Average value \$150,000 and up – rate increased from 10% to 20%
- **Multi-jurisdictional vehicles:** Amendments to the PST Act clarify, on Royal Assent:
  - Refunds for vehicles brought into BC to be immediately licensed as multi-jurisdictional vehicles
  - Authority for the director to impose a penalty when PST collectors improperly provide an exemption for these vehicles

PST collectors will be required to document exemptions and keep records of information related to these vehicles, effective on a date to be specified by regulation.

- **Bundled leases:** PST applies to the fair market value of a lease of taxable goods when a single price is charged for the lease of the taxable good along with an exempt good or real property, effective February 19, 2020.

- **Leases:** Effective February 19, 2020, the definition of “lease” has been changed to exclude a right to use coin-operated machines and garbage and similar bins.
- **Related services:** Various exemptions for related services do not apply to a related service provided by a lessor, or provided by a third party through a contract with a lessor, during the lease of goods, effective February 19, 2020.
- \$1 million to convert inland ferries in rural BC to electric and \$2 million for public sector zero-emission vehicles and more public charging stations

Industry incentives to promote cleaner operations include \$105 million in 2020/21 for two industry programs:

- CleanBC Industrial Incentive Program: regulated large industrial operations will receive amounts for reducing emissions to benchmark levels, and
- CleanBC Investment Fund: industrial carbon tax revenues earmarked for emissions reduction projects.

## Additional funding

### CleanBC

Budget 2020 provides an additional \$419 million to fund initiatives with the goal of encouraging green technologies and reducing climate pollution.

Spending includes:

- \$20 million in funding to support the Go Electric Vehicle Incentive Program providing
  - up to \$3,000 in rebates on the purchase or lease of a new battery electric vehicle, hydrogen fuel cell electric or longer-range plug-in hybrid electric vehicle, and
  - up to \$1,500 in rebates on the purchase or lease of a shorter-range plug-in hybrid electric vehicle.
- \$5 million in incentives for installing home and workplace charging stations; \$2 million for public fast-charging and hydrogen fuelling stations
- \$5 million for incentives for zero-emission buses and heavy-duty vehicles such as trucks, port and airport ground equipment and marine vessels
- \$106 million for the Carbon Neutral Capital Program, which provides funding for energy efficiency improvements in public facilities, including schools, universities and hospitals

### BC Access Grant

Effective September 2020, the BC Access Grant will provide eligible students financial support to help with the costs of programs leading to a degree, diploma or certificate. Students could receive up to \$4,000 in financial support for programs less than two years in length and up to \$1,000 for programs that are two years or longer.

### Funding for forestry and natural resources

Budget 2020 includes funding for the forestry sector as follows:

- \$13 million over three years to develop new opportunities in the bioeconomy and to revitalize the forestry sector
- \$65 million for wildfire and emergency response, management and prevention

This is in addition to funding previously provided to support forestry workers through the Forestry Worker Support Program, which provides services such as worker training programs, and the Coastal Logging Equipment Support Trust, providing support to coastal forestry contractors at risk of repossession of logging equipment.



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