

Budget 2021

# British Columbia

Making sense of what's next.

## April 2021

On April 20, 2021, Finance Minister Selina Robinson tabled British Columbia's 2021 budget (Budget 2021).

As a result of the pandemic spending, Budget 2021 estimates that the province's deficit for the 2020-21 fiscal year was \$8.14 billion as compared to the \$227 million surplus projected for the same fiscal year in the previous budget.

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

Year	Projected deficits
2021-22	\$9.7 billion
2022-23	\$5.5 billion
2023-24	\$4.3 billion



## Business tax measures

### 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 2021 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
2021	11.00%	27.00%	27.00%

### Business tax credits changes

Tax credits	Budget 2021 changes
Book Publishing Tax Credit	Extended for five years to March 31, 2026
Mining Flow-Through Share Tax Credit	Tax credit eligibility period during which an expenditure must be incurred by the issuer to be renounced in favour of a flow-through share agreement is temporarily extended by 12 months

### COVID-19 supports

As introduced in 2020, the StrongerBC Economic Recovery Plan includes several initiatives to support business recovery over the coming year. Budget 2021 continues to fund initiatives such as:

#### Small and Medium Sized Business Recovery Grant program

The program provides up to \$30,000 for eligible businesses to support their recovery and adapt to COVID-19. Tourism-related businesses can receive an additional top-up of \$15,000.

#### Increased Employment Incentive tax credit

This is a one-time refundable tax credit of 15 percent of the increase in eligible remuneration, through hiring or compensation increases, between the "base period" of July 1, 2020 to September 30, 2020, and the "qualifying period" of October 1, 2020 to December 31, 2020. More details on this tax credit can be found on the government's [webpage](#).

## Personal tax measures

### Personal income tax rates

BC's personal tax brackets are indexed to inflation on an annual basis. No further changes to the personal tax brackets and rates are proposed. The rates for 2021 are as follows:

Tax brackets	Marginal tax rates
\$42,184 or less	5.06%
\$42,185 to \$84,369	7.70%
\$84,370 to \$96,866	10.50%
\$96,867 to \$117,623	12.29%
\$117,624 to \$159,483	14.70%
\$159,484 to \$222,420	16.80%
Over \$220,420	20.50%

The top combined federal and BC marginal tax rates for 2021 are as follows:

Type of income	2021
Regular	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Regular dividends	48.89%

### BC Emergency Benefit for Workers

The BC Recovery Benefit was launched in December 2020, with applications continuing to be accepted until June 30, 2021. It's a one-time, tax-free payment of up to \$500 per individual, and up to \$1,000 for eligible families and single parents. Benefit eligibility is based on net income. Budget 2021 proposes that self-employed individuals not be required to repay the BC Emergency Benefit for Workers if they would have qualified for the benefit or the Canada Emergency Response Benefit (CERB) on their gross income, instead of net income. This aligns with the federal government's change to the CERB.

## Income and disability assistance

Budget 2021 proposes permanent rate increases to the following income assistance programs:

- Disability assistance payment – increased by \$175 per person per month
- Senior's Supplement (provincial top-up to the federal Old Age Security benefit for low-income seniors) – increased by \$50 per person per month
- Comforts allowance for people on income assistance to buy basic personal items – increased by \$20 per person per month

## Climate Action Tax Credit

Budget 2021 proposes delaying the Climate Action Tax Credit increase schedule established by Budget 2019 to align with the delay to carbon tax increases. The new schedule is as follows:

- Effective July 1, 2021, \$174 per adult and \$51 per child
- Effective July 1, 2022, \$193.50 per adult and \$56.50 per child

## Sales tax measures

### Provincial sales tax

#### Electric bicycles and tricycles

Effective April 21, 2021, electric bicycles and tricycles, conversion kits used to electrify conventional bicycles and tricycles, and parts and services for electric bicycles and tricycles, are exempt from the provincial sales tax (PST) of seven percent. For the purposes of these exemptions, electric bicycles or tricycles must meet the following requirements:

- Have pedals or hand cranks that allow for human propulsion
- Wheels with a minimum diameter of 350 millimetres
- Maximum motor power of 500 watts
- Must be limited to a motor-assisted speed of 32 km per hour
- Must not have a combustion engine or be marketed or designed to have the appearance of a motorcycle, moped or scooter

#### New resident's effects

Under the current rules, the personal effects of a new resident are generally exempt from PST if they are brought into BC within one year of the individual becoming a resident. Budget 2021 proposes that the PST exemption will now be extended

to January 1, 2023 or one year following the end of the most recent quarantine order for any person who became a BC resident on or after March 11, 2019, to bring their personal effects into BC.

#### "Grey market" vehicle

In most cases, motor vehicle dealers do not sell vehicles to resellers and thus many "grey market" purchasers do not state their intentions when buying the vehicles, pay PST and then apply for a PST refund after reselling the vehicles. Budget 2021 proposes to eliminate the PST refund for motor vehicles purchased in BC and resold within seven days. Concurrently, persons who purchase vehicles in BC will be deemed to have purchased the vehicles for their own use, and not for resale, unless they inform the seller at the time of purchase.

## Carbon tax

As previously announced prior to Budget 2021, carbon tax rate increases will be delayed due to the COVID-19 pandemic. The new schedule for carbon tax increase is as follows:

- Effective April 1, 2021, \$45 per tonne of carbon dioxide equivalent emissions
- Effective April 1, 2022, \$50 per tonne of carbon dioxide equivalent emissions

## Motor fuel tax

Eligible persons with disabilities can receive a motor fuel tax refund of up to \$500 per calendar year. Budget 2021 expands the eligibility requirement for this refund to include people who receive

- disability assistance, or a disability supplement, from Indigenous Services Canada or
- a 100 percent disability pension resulting from service as a member of Her Majesty's forces.

## Tobacco tax

Effective July 1, 2021, the tobacco tax will be increased as follows:

- Cigarettes: increased to 32.5 cents from 29.5 cents per cigarette
- Heated tobacco products: increased to 32.5 cents from 29.5 cents per heated tobacco product
- Loose tobacco: increased to 65 cents from 39.5 cents per gram

## Speculation and vacancy tax

Starting in 2021, corporations owned by agents of the government can claim an exemption from the speculation and vacancy tax. Retroactive to November 27, 2018, the speculation and vacancy tax exemption is extended to a person who owns the property as a trustee of a trust for the benefit of a registered charity.

## Other notable items

### Health and safety

Proposal to invest more than \$3.1 billion over three years in the health care and mental health system, including:

- \$900 million for the ongoing COVID-19 response, such as vaccination efforts, testing and screening, and the provision of personal protective equipment for frontline health care workers
- \$585 million investment to train and hire health care workers
- \$500 million to expand mental health and addiction services

### Public transit

Proposal to provide free public transportation for children, 12 and under, starting this September.

### Tourism

Allocation of \$120 million to support recovery in the tourism industry, including \$20 million in funding to help community destinations enhance infrastructure through grants; and permanent allowance to restaurants, bars and tourism operators with liquor licenses to purchase beer, wine and spirits at the wholesale price.

### Childcare

Proposal to double \$10-a-day childcare spaces in the next three years and to double the current Early Childhood Educators wage top-up from \$2 to \$4 per hour, bringing the average wage to around \$25 per hour.

### Housing

\$2 billion investment in the HousingHub program to create nearly 9,000 homes for middle income households and families.

### Home owner's grant

The threshold for the phase-out of the home owner's grant is increased to \$1.625 million from \$1.525 million for 2021.

### Broadband and cellular access

Investment of \$40 million in BC's connectivity strategy to provide reliable high-speed broadband to rural, remote and Indigenous communities.

### Minimum wage

As of June 1, 2021, BC minimum wage will increase to \$15.20 per hour.