



TaxNewsFlash Canada

Highlights of the 2019 British Columbia Budget

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British Columbia's Finance Minister Carole James delivered the province's 2019 budget on February 19, 2019. The budget anticipates surpluses of \$274 million in 2019, \$287 million in 2020, and \$585 million in 2021. Although the budget does not include any new changes to the corporate or personal tax rates, it enhances the province's Small Business Venture Capital Tax Credit program and introduces the new B.C. Child Opportunity Benefit to replace the current Early Childhood Tax Benefit starting in 2020.

Corporate tax changes

Corporate income tax rates

The budget did not announce changes to British Columbia's corporate tax rates. As a result, British Columbia's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2019		
	British Columbia	Combined Federal and B.C.
General	12%	27%
M&P	12%	27%
Small business ¹	2%	11%

¹ on first \$500,000 of active business income

Small Business Venture Capital Tax Credit

The budget introduces new enhancements to the Small Business Venture Capital Tax Credit. Specifically, the budget increases the maximum amount that eligible business

corporations can raise through the tax credit program to \$10 million (from \$5 million), effective February 20, 2019. Further, the budget increases the annual tax credit limit that an individual can claim for investments made after February 19, 2019 to \$120,000 (from \$60,000), effective for 2019 and subsequent tax years.

The budget also expands the Small Business Venture Capital Tax Credit so that:

- “Advanced commercialization” is added as an eligible business activity, effective February 20, 2019. The activity is limited to businesses outside the Metro Vancouver Regional District and Capital Regional District. “Advanced commercialization” is not defined in the budget.
- Investments in convertible equity issued by an eligible business corporation will qualify for tax credits effective March 2, 2019
- Share transfers are permitted to a Tax-Free Savings Account and equity purchases within a Tax-Free Savings Account are eligible for tax credits, effective February 20, 2019
- Eligible small businesses and eligible business corporations can engage in activities related to scaling up their business after two years in the tax credit program, effective February 20, 2019.
- Companies that exit the tax credit program after two years (instead of after three years) are eligible for a reduction in the amount they are required to reimburse British Columbia, effective February 20, 2019.

The budget also includes technical amendments to clarify requirements to file a certificate with a tax credit return.

Tax credit and allowance extensions

The budget introduces extensions to several existing tax credits and allowances (some of which were previously announced). Specifically, the budget:

- Makes permanent the B.C. mining exploration tax credit for individuals and corporations, effective on Royal Assent
- Extends the Training Tax Credits for both employees and apprentices to the end of 2019.
- Extends the Shipbuilding and Ship Repair Industry Tax Credit to the end of 2022
- Extends the mine allowance to the end of 2020.

Personal tax changes

Personal income tax rates

The budget did not announce changes to personal tax rates. As a result, British Columbia's personal income tax rates effective January 1, 2019 are as follows:

Personal Combined Federal/Provincial Top Marginal Rates	
	2019
Interest and regular income	49.80%
Capital gains	24.90%
Eligible dividends	31.44%
Non-eligible dividends	44.64%

B.C. Child Opportunity Benefit

The budget introduces the new B.C. Child Opportunity Benefit to replace the current Early Childhood Tax Benefit. Under the new program, which starts October 1, 2020, B.C. will provide support for children under the age of 18 (up from under the age of 6). The amount of the benefit will increase as follows:

- For families with one child — Up to \$1,600 per year
- For families with two children — Up to \$2,600 per year
- For families with three children — Up to \$3,400 per year.

The new benefit is reduced by 4% of family net income over \$25,000 until it is equivalent to a credit of \$700 for the first child, \$680 for the second child and \$660 for each subsequent child under the age of 18. The new benefit is phased out at a rate of 4% of family net income over \$80,000. According to B.C., the \$25,000 and \$80,000 thresholds will be indexed to inflation in future years.

The income level at which the new benefit is fully phased out varies based on the number of children in a household (e.g., B.C. states that, for a family with one child, the benefit is fully phased out at \$97,500 of family net income, and for a family with two children, the benefit is fully phased out at \$114,500 of family net income).

The new benefit will be administered by the federal government under the Canada Child Benefit.

Climate Action Tax Credit

The budget enhances B.C.'s Climate Action Tax Credit for qualifying adults and children. As a result, adults will receive \$154.50 per year (from \$135), and children will receive \$45.50 per year (from \$40), effective July 1, 2019. The credit is reduced in 2019 for family

net income of more than \$40,689 for married or single parents, and for family net income of more than \$34,876 for single individuals.

The Climate Action Tax Credit, which is scheduled to increase in 2020 and 2021, is combined with the federal GST/HST credit.

Personal tax credits

The budget introduces changes to personal tax credits to:

- Makes permanent the B.C. mining flow-through share tax credit, effective January 1, 2019
- Extends the Farmers' Food Donation Tax Credit to the end of 2020
- Expand the Pension Tax Credit to apply in respect of certain retirement income security benefits paid to veterans, effective for 2015 and subsequent tax years
- Allow the Disability Tax Credit to be applied in calculating the tax on split income, effective for 2018 and subsequent tax years
- Include split income in the income threshold for calculating the medical expense tax credit, effective for 2018 and subsequent tax years.

Indirect tax changes

Motor fuel tax

The budget allows TransLink to increase its motor fuel tax rates on clear gasoline and clear diesel to a maximum of 18.5 cents per litre (from 17 cents per litre), effective July 1, 2019.

The budget also makes technical amendments to the *Motor Fuel Tax Act* to clarify:

- Refunds of motor fuel tax security related to sales of relabeled fuel, effective retroactive to January 1, 2018
- Allowance for motor fuel tax collectors, effective retroactive to February 20, 2015.

Sales tax

The budget introduces changes to streamline tax collection, reporting and remittance requirements for sales or leases involving agency, effective on Royal Assent. Under these changes, where a principal uses an agent to make a sale or lease (or when a billing agent is used to collect payments), the principal and agent can jointly designate a single party to be responsible for tax collection, reporting and remittance obligations. Where sales are made by auction, an auctioneer acting as agent is automatically designated as the party

responsible for collecting, reporting and remitting tax unless the parties jointly elect to assign the obligations to the principal.

The budget also makes technical amendments to the *Provincial Sales Tax Act* to clarify:

- The tax treatment of vehicles brought into B.C. to be immediately licensed as multi-jurisdictional vehicles, effective retroactive to April 1, 2013
- Refunds for motor vehicles returned to manufacturers, effective on a date to be specified by regulation
- Suspensions and cancellations of collector registrations, effective on Royal Assent
- Conditions for small seller eligibility, effective on Royal Assent
- The obligation to pay tax when an exemption is not documented, effective retroactive to April 1, 2013
- The timing of tax payments by promotional distributors, effective on Royal Assent
- Procedures regarding unspent municipal and regional district tax revenues held by dissolving societies, effective on Royal Assent.

Technical amendments

The budget also includes various technical amendments to:

- Introduce a penalty for unregistered persons who sell natural gas at the retail level, for purposes of the *Carbon Tax Act*
- Clarify certain information sharing rules for the *Income Tax Act*, *Property Transfer Tax Act*, *Workers Compensation Act*, *Taxation (Rural Area) Act* and for the Information and Privacy Commissioner.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's British Columbia budget on your personal finances or business affairs, and point out ways to take advantage of their benefits or ease their impact. We can also keep you abreast of the progress of these proposals as they make their way into law.

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