



# Highlights of the 2020 British Columbia Budget

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British Columbia's Finance Minister Carole James delivered the province's 2020 budget on February 18, 2020. The budget anticipates a surplus of \$203 million for 2020 and projects surpluses of \$227 million for 2021 and \$179 million for 2022. Although the budget does not include any changes to the corporate income tax rates, it does introduce a new combined federal and provincial top personal income tax bracket of 53.5% for ordinary taxable income exceeding \$220,000 and requires certain Canadian and foreign sellers to register for and remit B.C. provincial sales tax (PST) effective July 1, 2020.

## Corporate tax changes

### *Corporate income tax rates*

The budget does not announce changes to the province'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, 2020		
	British Columbia	Combined Federal and British Columbia
General	12%	27%
M&P	12%	27%
Small business <sup>1</sup>	2%	11%

<sup>1</sup> On first \$500,000 of active business income.

### *Film production services tax credit*

The budget announces that corporations intending to claim the film production services tax credit must notify the certifying authority of their intent within 60 days of first incurring an expenditure eligible for the tax credit, effective July 1, 2020. In addition, the accreditation certificate fee for the production services tax credit increases to \$10,000, effective February 19, 2020.

### *Other corporate income tax measures*

The budget extends a number of tax credits and allowances. Specifically, the budget:

- Extends the training tax credits to the end of 2022 (from 2019)
- Extends the mine allowance to the end of 2025 (from 2020).

### **Personal tax changes**

#### *Personal income tax rates*

The budget introduces a new top personal income tax rate of 20.5% on taxable income over \$220,000 effective for the 2020 and subsequent tax years. As a result, British Columbia's personal income tax rate for taxable income over \$220,000 effective January 1, 2020 will be as follows:

<b>Personal Combined Federal/British Columbia Top Marginal Rates for 2020</b>		
	<b>Before Budget</b>	<b>After Budget</b>
Interest and regular income	49.80%	53.50%
Capital gains	24.90%	26.75%
Eligible dividends	31.44%	36.54%
Non-eligible dividends	44.64%	48.89%

As a consequence of this change, the charitable donation tax credit will also increase to 20.5% for charitable donations over \$200 for taxpayers in the new bracket.

#### *Other changes to personal tax measures*

The budget confirms that British Columbia will decrease the threshold for the phase-out of the home owner grant to \$1.525 million (from \$1.65 million) for the 2020 tax year. For properties above the threshold, the grant continues to be reduced by \$5 for every \$1,000 of assessed value in excess of the threshold. This measure was previously announced on January 3, 2020.

### *Farmers' food donation tax credit*

The budget extends the farmers' food donation tax credit to the end of 2023 (from 2020).

## **Provincial sales tax changes**

### *PST registration requirements*

Canadian sellers of goods, along with Canadian and foreign sellers of software and telecommunication services, will be required to register for and collect PST in British Columbia, effective July 1, 2020. These sellers will be subject to new registration requirements where specified B.C. revenues exceed \$10,000. The requirement also applies to all Canadian sellers of vapour products to B.C. consumers.

### *Refund for real property contractors working outside B.C*

The budget allows real property contractors who perform value-added work to goods and then install those goods into real property outside the province to apply for refunds of PST paid on those goods, effective February 19, 2020. Previously, no refund was available where use of the goods (including the performance of preliminary work on the goods) was made by the contractor in B.C. before the goods were shipped to a place outside B.C. for installation.

### *Other PST changes*

The budget states that carbonated beverages that contain sugar, natural sweeteners or artificial sweeteners will no longer qualify for the PST exemption for food products for human consumption, effective July 1, 2020.

The budget expands the PST exemption for machinery and equipment purchased or leased by qualifying manufacturers and resource industry businesses for use in pollution control or waste management, effective February 19, 2020. Specifically, the budget eliminates restrictions regarding the location at which the machinery and equipment is used.

The budget exempts the purchase of electric aircraft from PST effective February 19, 2020. In addition, the budget adds a PST refund for taxes paid in relation to non-electric aircraft obtained for the purpose of converting the aircraft to operate solely on electricity, as well as PST paid on parts and related services obtained for this purpose.

## **Other indirect tax changes**

### *Property transfer tax exemption for certain Canadian-controlled limited partnerships*

The budget introduces a new exemption from additional property transfer tax for qualifying Canadian-controlled limited partnerships to treat such entities in a manner more consistent

with Canadian-controlled corporations. This measure will be effective on a date to be specified by regulation.

#### *Tobacco tax*

The budget introduces a new tax rate of 29.5 cents per heated tobacco product unit (e.g., a vaping device), effective April 1, 2020.

#### *Carbon tax changes*

The budget announces that British Columbia's carbon tax rates for 2020 and 2021 will be aligned with the federal carbon pricing backstop methodology, where applicable, effective April 1, 2020. As part of this alignment, British Columbia will introduce a new category for "combustible waste" that will include tires in any form, asphalt shingles as a new taxable combustible and any prescribed material, substance or thing. The budget also adjusts the refund rates for International Fuel Tax Agreement licensees as a result of this alignment.

In addition, the budget announces that British Columbia is adjusting certain carbon tax rates from their original scheduled rates. For example, British Columbia will adjust the tax rate for gasoline to 9.96 cents per litre on April 1, 2020 (rather than 10.01 cents), while natural gas will be 8.82 cents per cubic metre on April 1, 2020 (rather than 8.55 cents). The new rates are available on [British Columbia's Ministry of Finance's website](#).

#### *Other changes*

The budget also includes changes to:

- Allow municipalities to create a distinct municipal tax rate for designated port properties when the municipal major industry tax rate is below the upper tax rate threshold, beginning in the 2020 tax year
- Increase the annual land valuation from consumer price index (CPI) inflation to CPI inflation plus 1%, effective for the 2021 property tax year.

#### **Other technical measures**

The budget also includes technical changes to:

- Allow employees to reimburse their employers any overpaid amount net of B.C. income tax withheld, effective January 1, 2016
- Clarify that corporations may not claim the political contributions tax credit, effective on Royal Assent
- Reduce the deadline to claim the Film Incentive B.C. and the production services tax credit to 18 months, effective for taxation years beginning after February 18, 2020.

## 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 realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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