



# TaxNewsFlash

Canada

## Highlights of the 2021 British Columbia Budget

April 20, 2021

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British Columbia's Finance Minister Selina Robinson delivered the province's 2021 budget on April 20, 2021. The budget anticipates a deficit of \$8.1 billion for 2020-21 and projects deficits of \$9.7 billion for 2021-22 and \$5.5 billion for 2022-23. The budget does not include any new changes to the corporate or personal tax rates, but does modify the speculation and vacancy tax, among other changes.

### 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, 2021		
	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.

#### *Book publishing tax credit*

The budget confirms the extension of the book publishing tax credit to March 31, 2026 (from 2021).

## Personal tax changes

### *Personal income tax rates*

The budget does not announce changes to personal tax rates. As a result, British Columbia's personal income tax rates effective January 1, 2021 are as follows:

<b>Personal Combined Federal/British Columbia Top Marginal Rates</b>	
	<b>2021</b>
Interest and regular income	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.89%

### *Requirement to repay Emergency Benefit for Workers waived*

The budget proposes that self-employed individuals are not required to repay the Emergency Benefit for Workers if they would have qualified for the benefit or the federal Canada Emergency Response Benefit based on gross income (instead of net income). This measure mirrors federal relief for the repayment of the Canada Emergency Response Benefit.

### *Home owner grant phase-out*

The budget confirms the previously announced 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.

## Provincial sales tax changes

### *Exemption for electric bicycles and tricycles*

The budget exempts electric bicycles and tricycles from provincial sales tax effective April 21, 2021. In addition, the budget states that conversion kits used to electrify conventional bicycles and tricycles, and parts and services for electric bicycles and tricycles, are also exempt from provincial sales tax.

### *Elimination of provincial sales tax refunds on certain motor vehicles*

The budget eliminates the provincial sales tax refund for motor vehicles that are purchased and resold within seven days. This measure applies on a date to be set by regulation. While this refund will be eliminated, the provincial sales tax treatment of resale inventory is not affected.

## Other indirect tax changes

### *Carbon tax changes*

The budget confirms previously announced delays to scheduled increases to the carbon tax rate. As a result, the carbon tax rates are now set at \$45 per tonne effective April 1, 2021 and will increase to \$50 per tonne on April 1, 2022. The detailed tax rates by fuel type are available on the [British Columbia's Ministry of Finance's website](#).

### *Tobacco tax increases*

The budget increases the tax rate on cigarettes to 32.5 cents (from 29.5 cents), on heated tobacco (i.e., vaping) products to 32.5 cents (from 29.5 cents) per heated tobacco product and on loose tobacco to 65 cents per gram (from 39.5 cents), effective July 1, 2021.

### *Speculation and vacancy tax*

The budget exempts corporations owned by agents of government, from the speculation and vacancy tax beginning in the 2021 tax year, consistent with corporations owned by municipalities, regional districts and Indigenous nations.

In addition, a residential property owned by a trustee of a trust who is holding legal title for the benefit of a registered charity can claim an exemption from the speculation and vacancy tax effective November 27, 2018. The budget also clarifies that a beneficial owner, whose interest in a residential property is registered in the name of a trustee of a trust and contingent on the death of another individual, is not considered a beneficial owner for the purpose of the speculation and vacancy tax.

## 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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