

Highlights of the 2016 British Columbia Budget

February 16, 2016
No. 2016-08

British Columbia Finance Minister Michael de Jong delivered the province's 2016 budget on February 16, 2016. The budget anticipates a surplus of \$377 million for the current 2015-16 year, \$264 million in 2016-17, \$287 million in 2017-18 and \$373 million for 2018-19.

The budget does not include any general corporate or personal income tax rate changes. However, the budget announces measures aimed at improving housing affordability in British Columbia. Effective February 17, 2016, the property transfer tax on purchases of newly constructed homes for use as a principal residence is eliminated where the value of the home is less than \$750,000 with partial relief for homes between \$750,000 and \$800,000. In order to fund this relief, the property tax rate will be increased to 3% on the portion of the value of a property transferred that exceeds \$2 million.

The budget announces that a Commission of Tax Competitiveness will be established to review the competitiveness of British Columbia's tax regime and make recommendations for making that regime more competitive in the fall of 2016. However, the Commission's mandate will specifically exclude consideration of the return of the harmonized sales tax.

Highlights of tax measures announced in the budget are summarized below.

Business tax

Corporate income tax rates

No changes to corporate taxes were announced. As a result, B.C.'s corporate income tax rates effective January 1, 2016 remain as follows:

Corporate Income Tax Rates — As of January 1, 2016		
	British Columbia	Combined Federal and British Columbia
General	11%	26%
M&P	11%	26%
Small business ^{1,2}	2.5%	13%
¹ on first \$500,000 of active business income ² as a result of scheduled decreases in the federal small business income tax rate, the combined federal and British Columbia small business rate will decrease to 12.5% on January 1, 2017, 12% on January 1, 2018 and 11.5% on January 1, 2019.		

Farmer's Food Donation Tax Credit

Effective February 17, 2016, the budget introduces a new non-refundable farmer's food donation tax credit which will apply for the 2016 through 2018 tax years, after which the credit will be reviewed. The credit will be available to corporations and individuals that carry on the business of farming and donate qualifying agricultural products to a registered charity that provides food to those in need or assists in operating a school meal program. The credit will be worth 25% of the fair market value of the products donated and must be claimed in the same year as the charitable donation tax credit or deduction is claimed for the donation.

Mining Tax Credits

The budget confirms two measures previously announced on January 25, 2016: the extension of the B.C. mining flow-through share tax credit to the end of 2016 and the extension of the mining exploration tax credit for an additional three years to the end of 2019.

Personal tax

Personal income tax rates

No changes to personal tax rates were announced. As a result, British Columbia's personal income tax rates effective January 1, 2016 remain as follows:

Personal Combined Federal/Provincial Top Marginal Rates	
	2016
Interest and regular income	47.70%
Capital gains	23.85%
Eligible dividends	31.30%
Non-eligible dividends	40.61%

Taxation of estates and trusts

The budget provides that recent federal changes to the taxation of estates and trusts are to be paralleled. Effective for tax years ending after 2015, graduated personal income tax rates

will only apply to trusts that are “graduated rate estates” or “qualified disability trusts”. The combined top marginal personal income tax rate of 47.7% will apply to all other trusts and estates in British Columbia.

Medical Services Plan Premiums

Effective January 1, 2017, MSP premiums will increase approximately 4% with a maximum increase of \$3 per month for an adult. The premium rate payable by couples will be set at twice the MSP rate for a single adult; however, the calculation of MSP premiums will no longer include children.

Finally, effective January 1, 2017, the income thresholds up to which a household receives full and partial income assistance are to be increased by \$2,000 and \$12,000 respectively.

Registered Education Savings Plan Grant

The British Columbia Training and Education Savings Grant was introduced in 2013 and provides a one-time grant of \$1,200 that will be paid to a child’s Registered Education Savings Plan. The grant will be paid once the child turns six years old. The child’s parents must apply for the grant before the child reaches the age of nine and the child must be resident in British Columbia at the time the grant application is made. The budget announced an extension to the grant program to include children born January 1, 2006 or later.

Senior’s Home Renovation Tax Credit

The budget expands the B.C. senior’s home renovation tax credit to persons with disabilities who are eligible to claim the federal disability tax credit effective for the 2016 tax year. The expanded credit will be available in respect of eligible expenditures made after February 16, 2016.

Indirect Tax

Property Transfer Tax Act

Effective February 17, 2016, newly constructed homes with a value of up to \$750,000 will be exempt from property transfer tax where purchased for use as a principal residence with a partial exemption provided for homes between \$750,000 and \$800,000. The buyer does not have to be a first-time owner of residential property, but must be a Canadian citizen or permanent resident, in order to qualify for the exemption. Newly constructed housing eligible for the exemption includes the first purchase of a new housing unit or of a newly subdivided unit. The purchase of land without a home, on which the new owner builds or finishes a home and moves into it within one year, would qualify for a refund of property transfer tax, rather than an exemption at the time of registration. To get the full exemption or refund, the purchaser will be required to live in the home as a principal residence until one year after the

purchase date, and the value of the finished property must be below \$750,000, with partial exemptions or refunds for properties with a fair market value up to \$800,000.

At the same time, the property transfer tax rate on any type of taxable transactions will be increased to 3% on the portion of a property's value in excess of \$2 million. The 1% rate continues to apply on the first \$200,000 of property value, the 2% rate continues to apply on the value of a property between \$200,000 and \$2 million. The new tax rate will apply to transfers registered on or after February 17, 2016.

The budget also announces that amendments will be made to the *Property Transfer Tax Act* to require certain disclosure requirements by purchasers of real property that will come into effect in the spring of 2016. Individual purchasers who are not Canadian citizens or permanent residents of Canada will be required to disclose their citizenship. Corporate purchasers will be required to disclose the citizenship of any director who is not a Canadian citizen or permanent resident of Canada. Where property is acquired by a bare trust, the names, addresses and citizenship of settlors and beneficiaries of the trust must be disclosed.

Carbon Tax and Motor Fuel Tax

The budget introduces exemptions from carbon tax and motor fuel tax that will replace refunds of security in qualifying circumstances, effective March 1, 2016.

A collector will be exempt from having to collect security on the sale of fuel in British Columbia if the fuel is sold to a person who is exempt from the requirement to pay security in respect of that fuel.

A deputy collector will be exempt from having to pay security on fuel bought in British Columbia if the fuel is to be sold outside British Columbia by the deputy collector and the fuel is to be removed from British Columbia:

- By the person who sold the fuel to the deputy collector
- By a person acting on behalf of the person who sold the fuel to the deputy collector
- By a common carrier where the contract with that carrier to remove the fuel has been entered into at the time the deputy collector buys the fuel, or
- In prescribed circumstances.

Provincial Sales Tax – Farmer Exemptions

Effective February 17, 2016, the list of items qualifying for exemption from provincial sales tax acquired by qualifying farmers solely for farm purpose is expanded to include telescopic handlers, skid steers and polycarbonate greenhouse panels. To qualify for the exemption, polycarbonate greenhouse panels must be purchased in a quantity of at least 500 square meters.

Other measures

Small Business Equity Tax Credit

Commencing in 2016 the budget for the small business venture capital tax credit is increased by \$5 million, \$3 million of which will be for direct investments in eligible new corporations. This allows for up to \$16.7 million annually in additional equity financing for qualifying corporations.

Home Owner Grant

The budget confirms a measure announced January 5, 2016 that the threshold for the phase-out of the home owner grant is increased to \$1.2 million from \$1.1 million for the 2016 tax year. The home owner grant reduces the amount of property tax individuals pay for their principal residence. This grant is available to qualifying homeowners that pay property taxes to a municipality or to the province if they live in a rural area.

Tourist Accommodation Relief

Effective for the 2017 tax year, the reduction in assessed value for eligible short-term accommodation property located outside municipalities is increased. The maximum reduction in assessed value is increased from \$150,000 to \$500,000 while the assessed value at which the phase-out of the benefit begins is increased from \$2 million to \$4 million.

Download KPMG's Tax Hub Canada app

KPMG's Tax Hub Canada app provides timely and convenient tax news to your iPhone, iPad, BlackBerry and Android. [Download now.](#)

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 and help you bring any concerns you may have to the attention of the B.C. Ministry of Finance.

Information is current to February 16, 2016. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. For more information, contact KPMG's National Tax Centre at 416.777.8500.

KPMG LLP, an Audit, Tax and Advisory firm (kpmg.ca) and a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative ("KPMG International"). KPMG member firms around the world have 162,000 professionals, in 155 countries.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss entity. Each KPMG firm is a legally distinct and separate entity, and describes itself as such. KPMG's Canadian web site is located at <http://www.kpmg.ca/>

© 2016 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.