



TAX HIGHLIGHTS FROM THE 2019 BRITISH COLUMBIA BUDGET

Finance Minister Carole James tabled the 2019 British Columbia provincial budget on February 19, 2019.

The budget projects surpluses of \$274 million for the 2019-2020 fiscal year, \$287 million for the 2020-2021 fiscal year and \$585 million for the 2021-2022 fiscal year.

On the income tax side, there were no changes to personal or corporate income tax rates. The government introduced, increased and extended certain tax credits.

The following pages are a summary of the changes announced in the budget. Please note that these changes are still proposals until passed into law by the provincial government.

PERSONAL TAX MATTERS

Personal Income Tax Rates and Tax Brackets

Tax brackets and personal credit amounts have been indexed by 2.6% for 2019. The table below shows British Columbia tax rates and brackets for 2019.

Taxable income range	2019 tax rates
first \$40,707	5.06%
\$40,708 - \$81,416	7.70%
\$81,417 - \$93,476	10.50%
\$93,477 - \$113,506	12.29%
\$113,507 - \$153,900	14.70%
\$153,901 and over	16.80%

The table below shows the 2019 combined federal and provincial highest marginal tax rates for various types of income.

Type of income	2019 combined tax rates
Regular income	49.80%
Capital gains	24.90%
Eligible dividends	31.44%
Non-eligible dividends	44.64%

BC Child Opportunity Benefit

Effective October 2020, the budget proposes to replace the BC Early Childhood Tax Benefit with the new BC Child Opportunity Benefit, a refundable tax credit applicable to families with children under the age of 18.

The maximum annual benefit is \$1,600 for a family's first child, \$1,000 for a second child and \$800 for each subsequent child under the age of 18. The benefit is reduced by 4% of family net income over \$25,000 until it is equivalent to \$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. For a family with two children, the new benefit will be fully phased out at \$114,500 of family net income.

The \$25,000 and \$80,000 thresholds will be indexed to inflation.

Climate Action Tax Credit

The maximum annual climate action tax credit is increased as follows:

- Effective July 1, 2019, to \$154.50 from \$135 per adult and to \$45.50 from \$40 per child
- Effective July 1, 2020, to \$174 per adult and to \$51 per child
- Effective July 1, 2021, to \$193.50 per adult and to \$56.50 per child.

Mining Flow-Through Share Tax Credit

Effective January 1, 2019, the mining flow-through share tax credit is made permanent.

Farmers' Food Donation Personal Tax Credit

The farmers' food donation personal tax credit is extended for one year, to the end of 2020.

Mining Exploration Personal Tax Credit

Effective on royal assent, the mining exploration personal tax credit is made permanent.

Pension Tax Credit

Effective for 2015 and subsequent years, the pension tax credit is expanded to apply in respect of certain retirement income security benefits paid to veterans.

Disability Tax Credit, Medical Expense Tax Credit and Split Income

Effective for 2018 and subsequent tax years, the disability tax credit can be applied in calculating the tax on split income and split income can be included in the income threshold for calculating the medical expense tax credit.



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CORPORATE TAX MATTERS

Corporate Income Tax Rates

The table below shows British Columbia tax rates and the small business limit for 2019.

Category	2019 tax rates
General rate	12.0%
Manufacturing and processing rate	12.0%
Investment income rate	12.0%
Small business rate	2.0%
Small business limit	\$500,000

The table below shows the 2019 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

Type of income	2019 combined tax rates
Small business income	11.0%
Active income over \$500,000	27.0%
Manufacturing and processing income	27.0%
Investment income	50.7%

Training Tax Credits

The training tax credits are extended for one year, to the end of 2019.

Farmers' Food Donation Corporate Tax Credit

The farmers' food donation corporate tax credit is extended for one year, to the end of 2020.

Mining Exploration Corporate Tax Credit

Effective on royal assent, the mining exploration corporate tax credit is made permanent.

Shipbuilding and Ship Repair Industry Tax Credit

The shipbuilding and ship repair industry tax credit is extended for three years to the end of 2022.



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OTHER PROPOSALS

Small Business Venture Capital Tax Credit

The budget proposes several personal and corporate changes to the small business venture capital tax credit, including:

- Effective for 2019 and subsequent years, the annual personal tax credit limit for investments made after February 19, 2019 is increased to \$120,000 from \$60,000.
- Effective February 20, 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, the maximum amount that an eligible corporation can raise through the tax credit program is increased to \$10 million from \$5 million.
- Effective February 20, 2019, companies are eligible for a reduction in the amount they must reimburse the government if they exit the program after two years instead of after three years.

Provincial Sales Tax Act

Effective on royal assent, the Provincial Sales Tax Act is amended to authorize a principal and agent to jointly designate a single party to be responsible for tax collection, reporting and remittance obligations when a principal uses an agent to make a sale or lease, or when a billing agent is used to collect payments.

Motor Fuel Tax Act

Effective July 1, 2019, the Motor Fuel Tax Act is amended to enable the TransLink service region to increase its motor fuel tax rates on clear gasoline and clear diesel from 17 cents per litre to a maximum of 18.5 cents per litre.

Mineral Tax Act

The new mine allowance is extended for one year to the end of 2020.

Interest on Student Loans

Effective February 19, 2019, interest will no longer accrue on new and existing student loans through the British Columbia Student Loan Program.



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