

# TAX FLASH BULLETIN

## 2019 British Columbia Budget Highlights

On February 19, 2019, the British Columbia Minister of Finance, Carole James, tabled the province's budget for the 2019-2020 fiscal year. The minister forecasts a modest \$274 million surplus for the 2019-2020 fiscal year. The minister updated the forecast for the current 2018-2019 fiscal year to end with a surplus of \$374 million in comparison to the \$219 million surplus projected in the prior year budget. We have highlighted selected proposed budget measures relevant to individuals and small businesses in British Columbia.

### INDIVIDUALS

#### *Personal Tax Rates*

The budget does not propose any changes to personal income tax rates. The taxable income figures below reflect BC's indexed income brackets for 2018 and 2019.

#### **Provincial Income Tax Brackets and Tax Rates**

<b>Taxable Income</b>	<b>2018</b>	<b>Taxable Income</b>	<b>2019</b>
\$0 to \$39,676	5.06%	\$0 to \$40,707	5.06%
\$39,676 to \$79,353	7.70%	\$40,707 to \$81,416	7.70%
\$79,353 to \$91,107	10.50%	\$81,416 to \$93,476	10.50%
\$91,107 to \$110,630	12.29%	\$93,476 to \$113,506	12.29%
\$110,630 to \$150,000	14.70%	\$113,506 to \$153,900	14.70%
Over \$150,000	16.80%	Over \$153,900	16.80%

#### **Top Combined BC and Federal Rates**

<b>Income Type</b>	<b>2018</b>	<b>2019</b>
Salary, interest, pension, foreign	49.80%	49.80%
Eligible dividends	34.20%	31.44%
Non-eligible dividends	43.73%	44.63%
Capital gains	24.90%	24.90%

Top rates apply to taxable income over \$205,843 (2018) and \$210,371 (2019) based on known federal and BC rates at February 19, 2019.

#### *Elimination of Medical Services Plan(MSP) Premiums*

The budget confirms last year's announcement to completely eliminate MSP premiums effective January 1, 2020 which will save individuals \$450 per year and families \$900 per year. The employer health tax replaced the MSP revenue effective January 1, 2019, shifting the funding burden from individuals to employers.

### *Introduction of BC Child Opportunity Benefit*

The budget proposes to replace the early childhood tax benefit with a single new benefit called the BC child opportunity benefit effective October 1, 2020. The new benefit is a refundable tax credit for middle-class families with children under the age of 18 (see table below). The benefit is reduced by 4% of family net income in excess of \$25,000 until the reduced benefit reaches \$700 for the first child, \$680 for the second child, and \$660 for each subsequent child under age 18. The tax credit is also phased out by 4% of family net income over \$80,000. For example, a family with one child and \$97,500 of family net income would not receive the benefit.

The phase-out thresholds will be indexed to inflation in future years.

<b>Children under age 18</b>	<b>Maximum annual tax credit benefit</b>	<b>Minimum tax credit for families with income less than \$80,000</b>
First child	\$1,600	\$700
Second child	\$1,000	\$680
Each additional child	\$800	\$660

The previous tax-free early childhood benefit paid families up to \$55 per month per child under age 6 and has been paid with the federal Canada Child Benefit (CCB). Families with income up to \$150,000 are eligible to receive the BC early child benefit up until September 30, 2020. Parents already registered for the early childhood tax benefit or the CCB before that date will automatically be registered for the new BC child opportunity benefit. Parents of existing children who are not registered for the BC or federal child benefits must apply to the Canada Revenue Agency for the federal CCB in order to receive the provincial BC child opportunity benefit.

### *Low Income Climate Action Tax Credit*

The budget proposes to increase the low income climate action tax credit effective July 1, 2019 and the two subsequent years to help offset the impact of the planned carbon tax increases. Single-parent families will continue to receive the adult rate for the first child in the family. The credit is reduced by 2% of family net income over the income threshold. The credit is paid with the GST quarterly payments and is a non-taxable payment.

<b>Annual tax credit</b>	<b>July 1, 2018</b>	<b>July 1, 2019</b>	<b>July 1, 2020</b>	<b>July 1, 2021</b>
Per adult	\$135	\$154.50	\$174	\$193.50
Per child	\$40	\$45.50	\$51	\$56.50
Family net income	\$40,689	indexed	indexed	indexed
Single net income	\$34,876	indexed	indexed	indexed

### *Elimination of Interest on BC Student Loans*

The budget proposes to eliminate interest accruing on BC student loans effective as of February 19, 2019.

### *Increases to Disability Assistance*

Effective April 1, 2019, the budget proposes to increase all disability assistance rates by \$50 per month. Disability payment rates depend on the age of the disabled person and their family structure.

### *Expanded Pension Tax Credit for Veterans*

Effective for 2015 and subsequent tax years, the provincial pension income tax credit is expanded to apply to certain retirement income benefits paid to veterans. The budget did not provide any further details on this measure. The provincial tax credit is equal to 5.06% of pension income up to \$1,000 for individuals receiving eligible pension income.

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## *Adjustments to Tax on Split Income Calculations*

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

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

## *Tax Credit Extensions*

<b>BC Tax Credit</b>	<b>Extension End Date</b>
Training	December 31, 2019
Mining Flow-Through Share	Permanent
Mining Exploration	Permanent
Farmers' Food Donation	December 31, 2020

## **BUSINESSES**

### *Small Business Tax Rates*

The budget did not propose any changes to corporate income tax rates and it did not change the \$500,000 provincial small business income threshold. The calendar year rates below reflect a December 31st year end.

### **2019 Provincial and Federal Corporate Tax Rates**

<b>Income Type</b>	<b>BC Rate</b>	<b>Federal Rate</b>	<b>Combined Rates Calendar 2019</b>
General corporate	12.00%	15.00%	27.00%
Small business	2.00%	9.00%	11.00%
CCPC* investment	12.00%	38.67%	50.67%
Non-CCPC investment	12.00%	15.00%	27.00%
Manufacturing and processing income	12.00%	15.00%	27.00%

Based on known federal and BC rates at February 19, 2019

\*Canadian Controlled Private Corporation

### *Small Business Venture Capital Tax Credit Program Enhanced*

The budget proposes several measures to enhance the current small business venture capital tax credit program:

- Increase the individual annual tax credit limit from \$60,000 to \$120,000 for investments made after February 19, 2019
- Effective February 20, 2019, companies are eligible for a reduction in the amount they are required to reimburse the government if they exit the tax credit program after two years, instead of after three years.
- Effective February 20, 2019, share transfers are permitted to a Tax-Free Savings Account and equity purchases within Tax-Free Savings Account are eligible for tax credits.

- Allow eligible small businesses and eligible business corporations to scale up their business after two years in the tax credit program effective February 20, 2019
- Effective February 20, 2019, reduce the amount a business must reimburse the government if it exits the tax credit program after two years instead of after three years
- Permit share transfers to a Tax-Free Savings Account and equity purchases within a Tax-Free Savings Account are eligible for tax credits effective February 20, 2019
- Allow investments in convertible equity issued by an eligible business corporation to qualify for a tax credit
- Amend technical requirements to file a certificate with a tax credit return

## EXCISE TAXES

### *Carbon Tax Increases*

Fuel Type	April 1, 2018 (\$35/tonne)	April 1, 2019 (\$40/tonne)
Diesel (light fuel oil)	8.95 cents/litre	10.23 cents/litre
Gasoline	7.78 cents/litre	8.89 cents/litre
Natural gas	173.81 cents/gigajoule	198.64 cents/gigajoule

The carbon tax rate is scheduled to increase \$5 per tonne per year until it reaches \$50 per tonne on April 1, 2021.

### *Motor Fuel Tax*

Effective July 1, 2019, the government proposes to allow the TransLink service region to increase its motor fuel tax rates on clear gasoline and clear diesel from the current rate of 17 cents per litre to a maximum of 18.5 cents per litre. The tax increase is expected to fund the region's share of Translink's 2018-2027 Investment Plan for transportation improvements.

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