

MNP Tax Alert



BC Region Tax

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2012 British Columbia Budget Summary

Fiscal Discipline for a Stable Economy On Tuesday February 21, 2012, the BC Minister of Finance, Kevin Falcon, presented the Province's 2012 Budget. The Province forecasts a deficit of \$968M in 2012-13, but plans to return to a balanced budget by 2013-14, as required by legislation. In order to do this, Budget 2012 contains a very conservative spending plan as well as some new tax measures and changes to corporate tax rates.

The following is a summary of the tax highlights from the 2012 Budget.

A. PERSONAL INCOME TAX MEASURES

Personal Income Tax Rates

No new personal income tax rate changes have been announced in this year's Budget.

Personal Tax Credits

Enhanced Dividend Tax Credit Rate: Effective for the 2012 and future taxation years, the income tax rate on eligible dividends will be reduced from 26.11% to 25.78%.

BC Seniors' Home Renovation Tax Credit: Effective for the 2012 and future taxation years, there will be a new refundable personal income tax credit to assist with the cost of permanent home renovations that provide individuals age 65 and over with increased independence. The maximum credit will be \$1,000 annually, calculated as 10% of eligible expenditures and will be available to individuals who incur such expenditures on or after April 1, 2012. The credit can be claimed by seniors, whether they own or rent, and by individuals who share a home with a senior relative.



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A complete list of eligible expenditures will be introduced later this year; however, examples of intended eligible expenditures include:

- Upgrades to improve accessibility, including handrails, grab bars, walk-in bathtubs and wheel-in showers;
- Wheelchair ramps, lifts and elevators;
- Motion-activated lighting; and
- Certain renovations to allow a first-floor occupancy or secondary suite for a senior relative.

Children's Fitness Credit and Children's Arts Credit: Effective for the 2012 and future taxation years, there will be two new non-refundable tax credits available for families. Both the Children's Fitness Credit and the Children's Arts Credit are to be calculated as 5.06% of eligible expenditures up to \$500 per child. Each credit will therefore provide a benefit of up to \$25 per child.

For both of these newly introduced credits, eligible expenditures are those that qualify for the federal children's fitness credit and children's arts credit.

Medical Expense Credit Expenditure Limit for Other Dependents: Effective for the 2012 and future taxation years, the \$10,000 limit that applied to medical expenses claimed in respect of dependents, other than a spouse or minor child, has been eliminated.

Transition to PST – Personal measures

BC HST Credit: This credit of up to \$230 annually per family member has been eliminated as a result of the re-implementation of the PST. The final quarterly BC HST payment will be issued in January 2013.

BC Sales Tax Credit: Effective for the 2013 and future tax years, this credit has been re-implemented with the same eligibility criteria and benefit calculation as existed prior to its replacement by the BC HST Credit. The maximum annual tax credit will be \$75 per adult; this credit will be reduced by 2% of net income over \$15,000 for single individuals and over \$18,000 for couples.



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Basic Personal Amount Tax Credit Enhancement: The basic personal amount tax credit was increased in 2009 and 2010 as a result of HST implementation; this enhancement has now been reversed with the re-implementation of PST on April 1, 2013. The revised credit amount will be set at \$9,373 plus any inflation indexing that has occurred since 2009.

BC First-Time New Home Buyers' Bonus: Effective for the period from February 21, 2012 to March 31, 2013, this temporary bonus will be available as a refundable income tax credit for first-time home buyers who purchase a newly constructed home. The credit will be calculated as 5% of the purchase price, up to a maximum credit of \$10,000. The credit will be phased out at rates of 20% of net income in excess of \$150,000 for single individuals and 10% of family net income in excess of \$150,000 for couples. Only one credit will be claimable per home. The credit will only be available in respect of purchases of newly constructed housing where both the HST applies and a written agreement of purchase and sale is entered into on or after February 21, 2012.

Hotel Room Taxes: The tax on short term accommodation will be re-implemented at the same time as the PST. The tax rate will be 8% and will apply in the same way it did prior to the HST.

Liquor Mark-ups: The PST rate of 10% on liquor will be reinstated with the re-implementation of the PST. Liquor mark-ups will actually be reduced to compensate for the higher liquor tax and keep shelf prices constant.


B. CORPORATE INCOME TAX MEASURES

Corporate Income Tax Rates

Due to the uncertainty in the Province's fiscal environment, the tax rate for general corporate income is projected to increase to 11% effective April 1, 2014. However, the requirement to implement this increase will be re-evaluated in next year's budget. The rate for small businesses with active business income will remain at 2.5%.

Training Tax Credits (TTC)

The TTC program came into effect January 1, 2007, and provides tax credits for employers and apprentices engaged in eligible apprenticeship programs administered through the Industry Training Authority.



This program will be extended for an additional three years to the end of 2014. In addition, the TTC program is extended to include eligible employers that employ apprentices in the British Columbia shipbuilding and ship repair industry. Eligible employers can receive a refundable tax credit of 20% of wages paid per year, up to a maximum of \$5,250, for each eligible apprentice in the first 24 months of an eligible apprenticeship program. Similar credits may also be available based on an apprentice's completion of additional advanced training

Book Publishing Tax Credit

The Book Publishing Tax Credit is a refundable credit available to book-publishing corporations that carry on business primarily in British Columbia. This program is extended for an additional five years to March 31, 2017.

Film Incentive BC Tax Credits

Under the Film Incentive BC tax credit program, the available credit is reduced for interprovincial film co-productions where corporations own less than 100% of the copyright. For productions with principal photography starting on or after January 1, 2012, the reduction to the credit due to copyright ownership requirements is eliminated.

Tax Credits for Cutscene Productions

The regulations are amended to clarify that cutscene productions (generally, non-interactive animated or live action scenes included in a video game) are eligible activities for purposes of the Interactive Digital Media Tax Credit, provided all other requirements of the credit are met. Effective September 1, 2010, the regulations are clarified to exclude cutscene productions from BC's film tax credits.

C. OTHER TAX MEASURES

Small Business Venture Capital (SBVC) Act

As previously announced on September 21, 2011, effective for the 2012 program year, the budget for the SBVC program is increased by \$3 million, which will be used to provide tax credits of up to 30% (subject to an annual maximum limit) of direct investments in eligible new corporations.

An eligible new corporation must qualify as an eligible business corporation under the SBVC Act, have been incorporated for less than two years, and must be doing business in one of the following targeted sectors:



ABOUT MNP

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- Community diversification;
- Development of interactive digital media products;
- Clean technology;
- Prescribed manufacturing and processing;
- Destination tourism; or
- Research and development of proprietary technology.

Medicare Protection Act

To help fund health care for residents of British Columbia, Medical Service Plan premiums will increase effective January 1, 2013. Maximum monthly premiums will increase by \$2.50 per month to \$66.50 for single persons, by \$4.50 per month to \$120.50 for two person families and by \$5 per month to \$133 for families of three or more persons. Premium assistance will be enhanced to ensure those who are currently receiving assistance will not be affected by the increase. Additional details will be released later in the year.

D. Transition to Provincial Sales Tax

In August of 2011, British Columbians voted in favour of eliminating the HST and returning to the provincial sales tax (PST) plus federal goods and services tax (GST) system. Subject to the approval of the Legislature of British Columbia, the PST will be re-implemented effective April 1, 2013. Until the PST is re-implemented, the provincial portion of the HST will continue at a rate of 7%, for a combined federal-provincial HST rate of 12%. As of April 1, 2013, BC will return to the PST/GST system, with a general PST rate of 7% and a federal GST rate of 5%.

Government will be making administrative improvements with the intent to reduce the administrative and compliance burden by making it simpler for businesses to collect and remit tax when they are selling goods and services and to claim exemptions when they are making purchases.

For information on transitional rules and timelines, please visit www.mnptax.ca.

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