

MNP Tax Alert



2010 BC Budget Summary – Building a Prosperous British Columbia

British Columbia Region Tax

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On Tuesday March 2, 2010, the British Columbia Minister of Finance, Colin Hansen presented the Province's 2010 Budget. The Budget contains no new taxes and no tax increases.

Budget 2010 takes action in three critical areas: enhancing support for vital public services, refocusing government spending to ensure a return to a balanced budget in 2013, and moving forward with initiatives to stimulate and sustain economic growth and job creation.

Highlights of the key proposals and tax measures announced in Budget 2010 are summarized below.

I. Personal Income Tax Measures

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

INDEXING OF THE PERSONAL INCOME TAX CREDIT AMOUNTS

In 2010, personal income tax credit amounts will increase 0.3% (indexed to inflation). The Basic Personal Amount / Spousal Amount tax credit will rise to \$11,000 effective January 1, 2010 (\$9,373 in 2009).

As a result of income tax cuts since

2001, individuals earning up to \$118,000 in BC pay the lowest provincial personal income taxes in Canada.

BC HST CREDIT

BC will be introducing a maximum credit of \$230 per family member for low and modest income individuals and families to help with the oncoming HST. This credit will be paid with the GST and Low Income Climate Action Tax Credit Payments. The first payment will be July 1, 2010 and will be paid every quarter.

BC MINING FLOW-THROUGH SHARE TAX CREDIT

As previously announced on January 21, 2010, the BC Mining Flow-Through Shares Tax Credit has been extended for three additional years to the end of 2013.

II. Corporate Income Tax Measures

No new corporate income tax rate changes have been announced in this year's Budget. The current corporate income tax rate is 10.50% for general corporate income and 2.50% for small businesses.

The government remains committed to reducing the small

British Columbia Region Tax (cont'd)

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business tax rate to zero by April 1, 2012. Further, the small business corporate income tax threshold increased to \$500,000 (previously \$400,000) effective January 1, 2010.

Below is a summary of the current corporate income tax rates:

CURRENT CORPORATE INCOME TAX RATES - SUMMARY

	2010	2011	2012
Small Business Corporations < \$500,000			
Current - all enacted	2.5%	2.5%	2.5%
Proposed - not enacted			0.0%
Threshold	\$500,000	\$500,000	\$500,000
General Corporate Income			
Current - all enacted	10.5%	10.0%	10.0%

CORPORATION CAPITAL TAX (FINANCIAL INSTITUTIONS ONLY)

BC has repealed the amendments to the Corporation Capital Tax Act which would have introduced a minimum capital tax on large financial institutions effective April 1, 2010. A provincial minimum capital tax was deemed unnecessary because the federal minimum capital tax on large financial institutions effectively provides a provincial minimum corporate income tax.

NEW BC INTERACTIVE DIGITAL MEDIA TAX CREDIT

A new BC Interactive Digital Media Tax Credit is introduced for qualifying projects beginning after August 2010. The tax credit is equal to 17.5% of qualifying BC labour employed in the development of qualifying interactive digital media. This tax credit was previously announced on February 3, 2010.

PRODUCTION SERVICES TAX CREDIT INCREASE

The basic Production Services Tax Credit Rate for productions with principal photography beginning after February 2010 is increased to 33% from 25%.

FILM INCENTIVE BC CAP INCREASE

The Film Incentive BC tax credit rate of 35% applies to qualifying BC labour expenditures up to a cap of 48% of total production costs. The cap is increased to 60% for productions with principal photography beginning after February 2010. The 60% cap matches the federal Canadian Film or Video Production tax credit cap.



DIGITAL ANIMATION OR VISUAL EFFECTS TAX CREDIT INCREASE

The Digital Animation or Visual Effects Tax Credit for productions with principal photography beginning after February 2010 is increased to 17.5% from 15%.

III. Social Services Taxes - Transition to HST

HST will be replacing the 7% PST on July 1, 2010. There will be transitional rules to avoid the payment of double tax.

In addition to replacing the PST, on July 1, 2010 the multijurisdictional vehicle tax will be eliminated for vehicles licenses that begin after July 1, 2010

Also eliminated on July 1, 2010 will be:

- \$1.50 / day passenger vehicle rental tax
- \$5 per battery levy
- \$0.4 per cent Innovative Clean Energy Fund Levy (ICE)

TRANSITIONAL PST INVENTORY REFUND

Certain contractors will be eligible for a rebate of the PST paid on inventory of construction materials on hand at July 1, 2010 that will be used in a project after July 1, 2010, where the HST will be charged. This rebate must be applied to the Provincial Government on or before **December 31, 2010**.

Contractors that are able to claim the PST Transitional New Housing Rebate will not be eligible for this rebate.

REFUND OF PST PAID ON GOODS PURCHASED AFTER OCTOBER 14, 2009 AND BEFORE MAY 1, 2010

Certain purchasers will be required to self-assess HST on purchases of goods or services between the above two dates, that will be provided or delivered after July 1, 2010. (Certain purchasers are defined in the transition rules released October 14, 2009 and generally mean a business or other entity that has purchased goods that will not be used exclusively in their commercial activities).


Where a self assessment of HST is required, the purchaser will be able to submit a refund application for any related PST paid. The application will have to be submitted **on or before December 31, 2010**.

HOTEL ROOM TAX - TRANSITION TO HST

The HST will be replacing the Hotel Tax on July 1, 2010, however the additional hotel room tax will be continued until July 1, 2011.

POINT OF SALE REBATES

Effective July 1, 2010 there will be point of sale rebates in BC on the provincial portion of the HST on:

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- Motor fuels
 - Books
 - Child sized clothing and footwear
 - Children's car seats and booster seats
 - Children's diapers
 - Feminine hygiene products

PST CONTINUES ON PRIVATE SALES OF CARS, BOATS AND AIRCRAFT

Effective July 1, 2010, the tax on the private sale of cars, boats and aircraft will still be payable by the purchaser, but at a rate of 12%. Previously private sales of these items were only subject to the 7% PST. This change provides comparable treatment between private sales and sales of these same goods by HST registered businesses. It is also consistent with all other HST provinces. Certain exemptions for inheritances and settlers' effects will continue.

IV. Other Measures

CARBON TAX ACT

Effective March 3, 2010 there will be a penalty for vendors selling gas into BC without being designated as a collector under the Carbon Tax Act. The maximum amount of the penalty will be twice the amount of security the vendor would have been required to pay.

The definition of natural gas has been clarified to include acid gas and waste gas, even when these have been removed from natural gas.

Effective July 1, 2010 Propane will be included in the security scheme that applies to most fuels. The security scheme will reduce the compliance costs for government.

TOBACCO TAX ACT

Effective March 3, 2010 the tax payable per cigar has increased from \$5.00 to \$6.00 per cigar.



ABOUT MNP

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Our roots in our communities are a big part of how we do business. Because we live and work in the same communities as our clients, we understand the markets they deal with. When they talk, we listen. And we provide clear, straightforward business advice to help get you where you want to go.

MNP has a proven track record providing traditional accounting and assurance services to our public sector clients. With our experiences, we have gained valuable insight into the Canadian public sector, and the specific requirements of our clients.

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HOME OWNER GRANT ACT

Home Owner Grant Phase-Out Threshold

For 2010, the threshold for the phase-out of the Home Owner Grant has been set at the 2009 level of \$1,050,000. This threshold is set so that more than 95% of home owners will qualify for the full grant.

New Northern and Rural Home Owner Benefit

As announced in the 2009 BC Budget, a new Northern and Rural Home Owner benefit will be available for the 2011 taxation year. The benefit will be a maximum amount of \$200 per home for houses below the phase-out threshold as described above. This benefit will be applicable for home owners outside the Greater Vancouver Regional District, the Fraser Valley Regional District, and the Capital Regional District.

This benefit is an increase to the Home Owner Grant. The combined Northern and Rural Home Owner Benefit and Home Owner Grant are phased out at a rate of \$5 per \$1,000 of assessed value above the Home Owner Grant phase-out threshold.

New Property Tax Deferment Program for Families with Children

The current property tax deferment program allows seniors or disabled home owners to defer property taxes until their home is sold, transferred to a new owner or becomes part of an estate. This program has been expanded to include families with children under age 18. To qualify, the home owner must support at least one child under the age of 18 and have at least 15% equity in their home. Simple interest is charged on the deferred property taxes at the prime rate.

MEDICARE PROTECTION ACT

Medical Services Plan Premium Increase

Effective January 1, 2011 the maximum monthly premiums for the Medical Services Plan will increase by \$3.50 to \$60.50 for single persons, by \$7.00 to \$115.00 for two person families and by \$7.00 to \$121.00 for families of three or more persons. For premium assistance recipients, the premium increase will range from 0% to 80% of the increased amounts.

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