

## HIGHLIGHTS FROM THE BRITISH COLUMBIA BUDGET

Finance Minister Katrine Conroy tabled the 2023 British Columbia provincial budget on February 28, 2023.

The forecast surplus for the almost completed 2022/23 fiscal year is anticipated to be \$3.6 billion, compared to the original projected budgeted deficit of \$5.5 billion. The budget projects declining deficits of \$4.2 billion for 2023/24, \$3.8 billion in 2024/25 and \$3.0 billion in 2025/26 fiscal years.

There were no increases or decreases to personal or corporate income tax rates for 2023. However, the budget introduces a new renter's tax credit, steady increases to the carbon tax and an enhancement to the climate action tax credit.

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

## PERSONAL TAX MATTERS

### Personal income tax rates and tax brackets

There were no proposed changes to personal income tax rates. Tax brackets and other amounts have been indexed by 6% to recognize the impact of inflation. The table below shows British Columbia tax rates and brackets for 2023.

TAXABLE INCOME RANGE	2023 TAX RATES
First \$45,654	5.06%
Over \$45,654 to \$91,310	7.70%
Over \$91,310 to \$104,835	10.50%
Over \$104,835 to \$127,299	12.29%
Over \$127,299 to \$172,602	14.70%
Over \$172,602 to \$240,716	16.80%
Over \$240,716	20.50%

The table below shows the 2023 combined federal and provincial highest marginal tax rates for various types of income.

TYPE OF INCOME	2023 COMBINED TAX RATES
Regular income	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.89%

### **Renter's tax credit**

Effective January 1, 2023, the budget introduced a new refundable renter's tax credit. Eligible households that rent and occupy living accommodations in B.C. for at least six months in a calendar year will be able to claim the credit. The credit will be income-tested with a maximum amount of \$400 per year for households with adjusted income of up to \$60,000. Households with adjusted income above the \$60,000 threshold will receive a gradually reduced credit, reaching zero at \$80,000 based on the 2023 taxation year. The thresholds will be indexed to inflation each year.

The credit will be available to individuals who are B.C. residents and 19 years of age or older on December 31 of each tax year. To qualify, rent must be paid to unrelated persons and excludes amounts paid for a campsite, moorage or a manufactured home site, under a rent-to-own plan, or by employers for accommodations that do not need to be included as income.

### **B.C. family benefit**

Effective July 1, 2023, B.C. family benefit amounts will be permanently increased based on the number of children under the age of 18 in a family. The maximum annual benefit is increasing to \$1,750 for a family's first child, \$1,100 for a second child, and \$900 for each subsequent child. The maximum annual benefit will be phased out for families with adjusted family net income over \$27,354.

The budget also increases the minimum benefit to \$775 for the family's first child, \$750 for a second child, and \$725 for each subsequent child for families earning up to an adjusted family net income of \$87,533.

Additionally, a maximum annual supplement of \$500 will be provided to single parent families. The single parent supplement will be added to the maximum annual benefit otherwise available to the parent.

### **Climate action tax credit**

The climate action tax credit helps to offset the effects of carbon taxes paid by low- to moderate-income individuals and families. The climate action tax credit is increasing as a result of revenue generated by the scheduled carbon tax rate increase this year.

Effective July 1, 2023, the maximum annual climate action tax credit will increase from \$193.50 to \$447 for an adult, from \$193.50 to \$223.50 for a spouse or common-law partner, and from \$56.50 to \$111.50 per child.

## **CORPORATE TAX MATTERS**

### **Corporate income tax rates**

The table below shows British Columbia tax rates and the small business limit for 2023.

CATEGORY	2023 TAX RATES
General rate	12%
Manufacturing and processing rate	12%
Investment income rate	12%
Small business rate	2%
Small business limit	\$500,000

The table below shows the 2023 combined federal and provincial corporate income tax rates for various types of income earned by a Canadian Controlled Private Corporation (CCPC).

TYPE OF INCOME	2023 COMBINED TAX RATES
Small business income	11%
Active income over \$500,000	27%
Manufacturing and processing income	27%
Investment income	50.67%

### **Interactive digital media tax credit**

The interactive digital media tax credit is extended for five years to August 31, 2028.

### **Farmers' food donation tax credit**

The farmers' food donation tax credit is extended for three years to the end of 2026.

## **OTHER INITIATIVES**

### **Carbon tax rates**

Effective April 1, 2023, carbon tax rates will increase by \$15 per tonne of carbon dioxide equivalent emissions annually until reaching \$170 per tonne in 2030. Rates will generally align with the federal carbon pricing backstop rates.

### **Output-based pricing system implemented for large industrial operations**

Effective April 1, 2024, large emitters will be exempt from tax imposed under the Carbon Tax Act. These operations will instead be subject to a made-in-B.C. output-based pricing system under which they will pay for emissions that exceed performance-based emissions limits.

### **Reduced tax on natural gas and propane for qualifying greenhouse growers**

Effective April 1, 2023, qualifying commercial greenhouse growers can claim a point-of-sale reduced carbon tax for purchases of natural gas and propane used for heating and generating carbon dioxide (CO<sub>2</sub>) for increased crop productivity.

The point-of-sale reduced tax will apply to greenhouse growers who grow vegetables, fruits, bedding plants, flowers, ornamental plants, tree seedlings or nursery landscape plants. To qualify, greenhouse growers must grow the crops identified above and generate gross revenues of \$20,000 or more in the previous 12 months, and have a reasonable estimate that revenues will be \$20,000 or more in the next 12 months.

### **Rules on for online marketplace facilitators and services**

Effective July 1, 2023, the rules related to the collection obligations of online marketplace facilitators and the taxation of online marketplace services will be amended for clarification, simplification and consistency. In particular, the rules will change so that online marketplace services are taxable when an online marketplace facilitator provides the service to facilitate the sale or provision of non-taxable services. The rules establishing when an online marketplace service is taxable will be amended to align more closely with the place-of-supply rules used to administer the federal goods and services tax.

### **Automated external defibrillators**

Effective March 1, 2023, automated external defibrillators (AEDs), kits containing AEDs and parts and services for AEDs including pads will be exempt from provincial sales tax.

### **Refund rates for international fuel tax agreement licensees**

Effective April 1, 2023, the refund rates for International Fuel Tax Agreement licensees will rise to reflect scheduled increases to the carbon tax every April 1 from 2023 to 2030.

### **Partial exemption for new purpose-built rental buildings of property transfer tax**

Effective for transactions that occur on or after January 1, 2024, purchases of new purpose-built rental buildings will be exempt from the additional 2% property transfer tax that is applied to the fair market value of the residential component of a taxable transaction that exceeds \$3 million. Purpose-built rental buildings are those that are non-stratified with at least four apartments and rented on a monthly basis or longer for at least 10 years.

### **Various technical measures**

The budget introduces a number of technical amendments to various enactments including the Income Tax Act, Insurance Tax Act, Logging Tax Act, Provincial Sales Tax Act and the Speculation and Vacancy Tax Act.

## **WE CAN HELP**

Your Assante advisor can help you assess the impact of these proposals on your personal finances or business affairs and show you ways to take advantage of their benefits or ease their impact. The resources available to you and your advisor include CI Assante Private Client's Wealth Planning Group, a multi-disciplinary team of accountants, lawyers and financial planners.

For more information, we encourage you to speak to your advisor or visit us at [assante.com](https://www.assante.com)

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