



MAPLE RIDGE | LANGLEY
CHARTERED PROFESSIONAL ACCOUNTANTS

EPR CLIENT NEWS BULLETIN

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BC BUDGET 2018

On February 20, 2018, B.C. Finance Minister Carol James announced proposed changes to the provincial tax laws in the release of Budget 2018. While the personal income tax rates and corporate income tax rates were left unchanged from prior announcements, other changes were introduced for:

- Sales Taxes;
- Income Taxes;
- Property Taxes;
- Affordable Child Care;
- Elimination of Medical Services Plan (“MSP”) premiums; and
- A new Employer Health Tax.

Sales Taxes

Provincial Sales Tax

PST rate increase for passenger vehicles – Effective April 1, 2018, passenger vehicles valued at \$125,000 or more are subject to a higher PST rate. From \$125,000 to \$149,999.99 the rate has been increased from 10% to 15%¹ and from \$150,000.00 and above the rate has been increased from 10% to 20%².

Income Taxes

Corporate Income Tax Rates

The budget did not announce any changes to B.C.’s corporate income tax rates. As a result, the B.C. corporate income tax rates remain as follow:

Corporate Income Tax Rates as of January 1, 2018 for Canadian-controlled private corporations		
	BC	BC/Fed
Active income at small business rate ³	2%	12%
Active income at the general corporate rate	12%	27%
Investment income ⁴	38.7%	50.7

¹ 12% for private sales or gifts

² 12% for private sales or gifts

³ Generally, on the first \$500,000 of taxable income unless taxable capital > \$10M

⁴ Includes a refundable tax on payment of dividends

Tax Credits

Tax credits extended – the book publishing tax credit, B.C. mining flow-through share tax credit, farmer’s food donation tax credit and the interactive digital media tax credit have been extended through to the end of 2018⁵.

Film incentive B.C. Tax credit – The Film incentive B.C. Tax credit was expanded to include scriptwriting.

Infirm dependent credit and caregiver credits - the infirm dependent credit and caregiver credit have been replaced with a new B.C. caregiver credit to align with the new federal Canada Caregiver Credit.

Property Taxes

Property Transfer Tax

The property transfer tax rate on residential properties above \$3 million has been increased from 3% to 5%. The property transfer tax rates of 1% on the first \$200,000, 2% on the portion between \$200,000 and \$2,000,000 and 3% on the portion between \$2,000,000 and \$3,000,000 remain unchanged.

Foreign Buyers Tax

The additional property transfer tax required to be paid by foreign nationals, foreign corporations or taxable trustees on certain purchases of B.C. residential property has been increased from 15% to 20%. The area in B.C. in which this additional property transfer tax is levied has been expanded from the Greater Vancouver Regional District (“GVRD”) to include: Fraser Valley, Capital Regional District, Nanaimo and the Central Okanagan Regional Districts. For residential property purchased in the GVRD there will be no transitional relief. For purchases entered into in the expanded region before February 21, 2018 there may be some transitional relief.

Speculation Tax

A new annual speculation tax on residential property in B.C. will be introduced in 2018. This new tax will be effective for 2018 and will apply to the GVRD, Fraser Valley, Capital and Nanaimo Regional Districts, and in the municipalities of Kelowna and West Kelowna.

The speculation tax will target foreign and domestic speculators in B.C. with upfront exemptions available for principal residences, qualifying long-term rental properties and certain special cases. In the case that the upfront exemptions is not available there is a non-refundable income tax credit to help offset the tax for B.C. residents.

In 2018, the tax rate will be \$5 per \$1,000 of the property’s assessed value (i.e. 0.05%) increasing to \$20 per \$1,000 of the property’s assessed value (i.e. 2%) in 2019. There has been no proposed legislation as of yet and therefore a lack of clarity exists on who this tax will apply too. A concern is that B.C. residents with secondary recreational properties may be affected. Presumably, the intention of the B.C. non-refundable tax credit is to lessen this impact for individuals earning income in B.C.

⁵ Certain credits have been extended to the end of 2021

Beneficial Ownership of Real Estate

Corporations will now be responsible in tracking the beneficial ownership information of real estate and developers will be responsible for tracking information concerning the assignment of pre-sale agreements. These proposed changes are slated to be released July 2019 and are proposed to include a requirement for B.C. corporations to hold accurate and up to date information on the beneficial owners of real property along with other information reporting requirements.

As a result, B.C. corporations with bare trustee relationships for real property need to maintain a register or continuity schedule of beneficial ownership. The same proposal will require developers to collect and report comprehensive information regarding the assignment of pre-sale purchases. The information collected will be reported to a designated provincial office and shared with federal tax authorities.

Affordable Child Care Benefit

Budget 2018 has introduced a new affordable child care benefit with expanded eligibility and higher benefit rates than the existing child care subsidy. The new benefit will be phased in over three years. The new affordable child care benefit will reduce parent fees for children under age six through a child care fee reduction program. This benefit will be income tested and the following table illustrates the benefits once the new affordable child care benefit is phased in.

New Affordable Child Care Benefit by Care Type and Income Threshold

Gross Income	\$0 to \$44,999	\$45,000 to \$59,999	\$60,000 to \$79,999	\$80,000 to \$111,000
Type of Child Care	Maximum Monthly Benefit Amount	Taper Rate of Benefit	Maximum Monthly Benefit Amount	Taper Rate of Benefit
Licensed Group Infant	\$1,250	\$0.27	\$910	\$0.35
Licensed Group Toddler	\$1,060	\$0.23	\$772	\$0.30
Licensed Family Infant/Toddler	\$1,000	\$0.22	\$726	\$0.28
Licensed Group 3 years to School Age	\$800	\$0.17	\$582	\$0.23
Licensed Family 3 years to School Age	\$800	\$0.17	\$582	\$0.23
Licensed Group School Age	\$420	\$0.09	\$306	\$0.12
Licensed Family School Age	\$420	\$0.09	\$306	\$0.12
Licensed Preschool	\$330	\$0.07	\$240	\$0.09
Licensed Care Surrounding School Day	\$420	\$0.09	\$306	\$0.12

Elimination of Medical Services Plan Premiums and the Introduction of an Employer Health Tax

In Budget 2017 the government of B.C. reduced MSP premiums by 50% starting January 1, 2018 and in Budget 2018 will eliminate MSP premiums effective January 1, 2020.

In order to make up the shortfall in revenue Budget 2018 is replacing revenues from MSP premiums with a new employer health tax.

This new payroll tax will come into effect January 1, 2019 with the following rate structure:

- Businesses with a payroll of more than \$1.5 million will pay a rate of 1.5% on their total payroll;
- Businesses with a payroll between \$500,000 and \$1.5 million will pay a reduced rate; and
- Businesses with a payroll under \$500,000 will not pay the tax.

The legislation for the Employer Health Tax has not yet been introduced but Budget 2018 mentions that payroll amounts are to be aggregated among associated businesses.

A number of these changes take effect in 2018 with the remaining ones being phased in over the next three years. If you wish to discuss your situation and how any of the Budget 2018 measures would affect you please contact us for any further information.

Stay tuned for our federal budget commentary after the federal Liberals will deliver their third budget Tuesday February 26, 2018.

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