

2010 British Columbia provincial budget—a summary

March 2, 2010

On March 2, 2010, BC Finance Minister Colin Hansen announced the province's 2010-11 provincial budget. The following is a summary of the key tax measures in the budget.

Business tax measures

Financial Institutions Minimum

Capital Tax: A minimum capital tax applicable to large financial institutions was scheduled to be introduced effective April 1, 2010. However, this tax is being repealed as the government has acknowledged that the federal minimum capital tax, also applicable to large financial institutions, effectively provides a provincial minimum corporate income tax.

New BC Interactive Digital Media

Tax Credit: This new credit (first announced on Feb. 3, 2010) is equal to 17.5% of qualifying BC labour employed in the development of qualifying interactive digital media, and is being introduced for qualifying projects beginning after August 2010. Interactive digital media includes interactive products made for use by an individual, the primary purpose of which is to educate, inform, or entertain, and must include at least two of text, sound and images. Projects must be completed to qualify for the credit.

Personal tax measures

BC HST Credit: A new HST credit is being introduced to assist low and modest income families following the July 2010 introduction of the HST. The new credit will replace the BC Sales Tax Credit. The maximum annual credit is \$230 per family member. The maximum credit is reduced by 4% of family net income (i.e., recipient's and spouse's net incomes from the prior year) in excess of \$20,000 for single individuals and \$25,000 for families. The credit will be paid quarterly, beginning in July 2010, together with the federal GST credit and BC Low Income Climate Action credit payments.

Other measures

Residential Energy Credit Introduced

Effective July 1, 2010, a provincially administered credit will be provided for energy, including electricity, natural gas, heating fuel, heat, steam, kerosene, propane, firewood and pellets purchased for residential use. The credit will be equal to the provincial component of the HST paid or payable on residential energy excluding service and administration charges. For most residential consumers, the credit will be provided directly on their utility bills.

Tax on Private Sales of Vehicles, Boats and Aircraft

Effective July 1, 2010, the tax on the private sale of vehicles, boats and aircraft in British

Columbia will be increased from 7% to 12%. This is comparable to the treatment in other participating provinces.

Carbon and Motor Fuel Taxes

Effective March 3, 2010, a new vendor penalty is introduced for vendors who sell fuel in BC without being appointed a collector.

Tobacco Tax Act

The 77% tax on cigars is clarified as follows:

- a The tax applies to the retail cigar price if the retail dealer who sells the cigar also manufactured the cigar in Canada or imported the cigar into Canada; or
- b In all other cases, the tax applies to the wholesale price plus a markup equal to 30% of the wholesale price.

The maximum payable per cigar is increased to \$6 from \$5 per cigar.

The above is effective March 3, 2010.

Also, the Tobacco Tax Act has been amended to provide for the authority for an annual fee payable by the retailers as a condition of selling tobacco products in the province. The fee, the commencement date and the reporting requirements will be provided later this year.

Liquor Mark-ups

Liquor mark-ups will be adjusted with the implementation of the HST to keep shelf prices constant.

International Financial Activity

Program: This program provides tax refunds for BC corporate income tax paid on qualifying international financial activities. The program will be expanded to allow international businesses in digital media publishing and distribution, certification and trading of carbon credits, and clean technology to qualify under the program. Details on the activities that qualify, including any required certification process, will be provided in the coming months. In addition, effective Sept. 1, 2010, qualifying international financial activities will include prescribed management and administrative services of prescribed investment funds.

The budget also announced changes to the rate of refunds received on BC personal tax by registered international financial activity specialists.

Previously announced measures

The following previously announced measures were confirmed:

- The BC Mining Flow-Through Share Tax Credit is being extended for three additional years to the end of 2013.
- 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. This cap will be increased to 60% for productions with principal photography beginning after February 2010.
- The Digital Animation or Visual Effects Tax Credit is increasing to 17.5% from 15% and the Productions Services Tax Credit is increasing to 33% from 25% (both effective for productions with principal photography beginning after February 2010).

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