
Business Report

2015 B.C. Budget Overview February 2015



The B.C. Government released its Provincial Budget on Tuesday, February 17, 2015. Minister of Finance Michael de Jong projected a surplus of \$ 879 million in the 2014/2015 fiscal year, followed by surpluses of \$ 284 million in 2015/2016, \$ 376 million in 2016/2017, and \$ 399 million in 2017/2018. The following is a summary of the income tax and sales tax measures contained in the Budget.

Income Tax Measures

Corporate Income Tax Unchanged

The provincial general income tax rate will remain at 11%; the small business income tax rate will remain at 2.5%. The combined federal and B.C. rate will remain at 26% for business income not eligible for the small business deduction, and 13.5% for income eligible for the small business deduction.

Personal Income Tax Unchanged

The combined federal and B.C. top marginal tax rate will remain at 45.8% for the 2015 year (same as 2014). As the budget does not introduce any measure to extend the 2014 and 2015 rate increase, for 2016 and later years the top marginal combined rate is scheduled to return to 43.7%.

BC Training Tax Credits/BC Mining Flow-Through Share Tax Credit/BC Interactive Digital Media Tax Credit Extended

The budget extends:

- the training tax credit for an additional three years to the end of 2017
- the mining flow-through share tax credit to the end of 2015
- the interactive digital media tax credit for an additional three years to August 31, 2018

BC Tax Reduction Credit Enhanced

Effective for the 2015 tax year, the budget increases:

- the tax reduction credit to \$ 432 (from \$ 412)
- the credit phase-out threshold to \$ 19,000 (from \$ 18,327)
- the credit phase-out rate to 3.5% of net income (from 3.2%)

Accordingly, BC taxpayers with taxable incomes of up to approximately \$ 19,000 will pay no provincial income tax in 2015.

Digital Animation or Visual Effects Tax Credit (DAVE) Expanded

The budget expands the DAVE tax credit to include eligible post-production activities and the credit will be available for productions where principal photography begins on or after March 1, 2015.

Children's Fitness Equipment Credit

The budget introduces a new non-refundable children's fitness equipment credit effective for the 2015 tax year. This new credit is calculated as 50% of the existing BC children's fitness credit amount claimed. There is no requirement to keep receipts for equipment purchases. This new tax credit can provide a benefit of up to \$ 12.65 per child annually.

BC Education Coaching Tax Credit

The budget introduces a new non-refundable BC education coaching tax credit for teachers and teaching assistants who carry out at least ten hours of extracurricular coaching activity in the tax year. This new tax credit is effective for the 2015 to 2017 tax years. The credit amount is \$ 500, which can provide a tax benefit of up to \$ 25.30 per eligible taxpayer annually.

Medical Services Plan Premium Increase

MSP premiums will increase by approximately 4% effective January 1, 2016. Maximum monthly premium rates will increase by:

- \$ 3.00 per month to a total of \$ 75.00 for single persons,
- \$ 5.50 per month to a total of \$ 136.00 for two person families and
- \$ 6.00 per month to a total of \$ 150.00 for families of three or more persons.

Premium assistance for low income families will be enhanced, the details on the enhancement will be released later in 2015.

Sales and Property Tax Measures

PST Registration Obligations Extended

The budget broadens the scope for mandatory PST registration, effective September 1, 2015, to include businesses outside of British Columbia which in the ordinary course of business:

- accepts orders for tangible personal property from a location in BC;
- sells or provides tangible personal property to a person in BC; and
- holds that tangible personal property in inventory in BC at the time it is sold.

Accordingly, these businesses must be registered for the purposes of levying, collecting, and remitting provincial sales tax at the time of the sale. Failure-to-register penalties may apply to those who are not registered on or after September 1, 2015.

Taxation of Tangible Personal Property

Effective February 18, 2015, the budget expands the use of tangible personal property to ensure the same tax treatment for tangible personal property used to make other tangible personal property that is used for the purpose of fulfilling a contract for improvements to real property regardless of whether the tangible personal property is purchased in BC or imported into BC. As well, where non-recoverable sales tax is paid in another jurisdiction in respect of the other tangible personal property, a sales tax refund will be provided for tax paid on such tangible personal property used for contract improvements to real property outside of BC.

Home Owner Grant Phase-out Threshold

The Homeowner Grant reduces the property tax payable on an individual's (or family unit's) principal residence. Only properties that have a fair market value that was below the threshold qualify for the grant.

The threshold for the phase-out of the Home Owner Grant remains at \$ 1,100,000 for the 2015 tax year. For properties valued above the threshold, the grant is reduced by \$ 5 for every \$ 1,000 of assessed value in excess of the threshold.

Other Tax Measures

New Mine Allowance Extended

The budget extends the new mine allowance for four years to December 31, 2019.

Small Business Venture Capital Tax Credit Increased

The budget increases the small business venture capital tax credit by \$ 3 million for direct investments in eligible new corporations, thereby allowing for up to \$ 10 million in additional equity financing for qualifying new corporations in 2015.

Tobacco Tax Rates Increased

Effective February 18, 2015, a wholesale dealer must pay security on tobacco he or she is bringing or sending into BC.

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