

On February 21, 2017 B.C. Finance Minister Mike de Jong delivered the 2017/18 B.C. Budget (“the Budget”). The Budget projected a surplus of 1.458 billion for the fiscal year ended March 31, 2017 and a surplus of \$295 million in the fiscal year ended March 31, 2018.

As this is an election year, it was not surprising to see the Government budget for a number of additional spending measures, including K-12 education, children and families, mental health and substance abuse, rural economic development and community, and technology. The Government also provided for certain tax measures, selected highlights of which are summarized below.

- Decrease in the small business corporate income tax rate from 2.5% to 2.0%, effective April 1, 2017. The reduction will be prorated for taxation years that straddle the effective date. This will result in a combined federal and provincial income tax rate of 12.5% on income eligible for the small business deduction in B.C.
- Decrease in the dividend tax credit rate on non-eligible dividends from 17% to 15% effective for 2017 and later years. This change is intended to maintain integration as a result of the corporate income tax rate reduction noted above.
- Elimination of the Education Tax Credit effective January 1, 2018. This is concurrent with the elimination of the equivalent federal tax credit.
- The government signaled its intention to eliminate MSP premiums entirely when the fiscal capacity becomes available. As a start to this process, MSP premium rates will be reduced by 50% for households with annual net incomes up to \$120,000 effective for 2018. Registration will be required if not already receiving premium assistance (so that income level can be verified). The income threshold for full premium assistance will be increased by \$2,000 for 2018.
- PST will be phased out on electricity charges. Effective October 1, 2017 the rate will be 3.5%. The tax will be eliminated entirely effective April 1, 2019.
- The threshold for the First Time Buyers’ Exemption from Property Transfer Tax has been increased from \$475,000 to \$500,000, effective for registrations on or after February 22, 2017.
- The Scientific Research and Experimental Development Tax Credit will be extended for five years to August 31, 2022.
- The Training Tax Credit will be extended for three years to the end of 2020.
- As previously announced, the threshold for the Home Owner Grant on property tax assessments will be increased from \$1.2 million to \$1.6 million effective for 2017.
- As previously announced, there will be no increase in Medical Services Plan (“MSP”) premium rates for 2017.
- As previously announced, B.C. has introduced a new Volunteer Firefighters and Search and Rescue Volunteers Tax Credit for eligible individuals who provide at least 200 hours of eligible volunteer service. This non-refundable tax credit will be based on \$3,000 at the lowest marginal tax rate of 5.06%. This will provide for a maximum tax savings of \$151.80 per year.
- As previously announced, B.C. has introduced a new Back-to-School Tax Credit for parents of children aged 5-17 for 2016, 2017 and 2018 (reviewed thereafter). The non-refundable credit will be based on \$250 per child at the lowest marginal tax rate of 5.06%. This will provide for a maximum tax savings of \$12.65 per child per year.
- As previously announced, B.C. will pause the phase-out of the preferential tax rate provided to credit unions. Thus, it will remain at 80% of the original benefit until a review has been completed (originally scheduled to be reduced to 60%).
- As previously announced, B.C. will extend the Mining Flow-Through Share Tax Credit to the end of 2017.
- As previously announced, B.C. will extend the Book Publishing Tax Credit for two years to March 31, 2019.

This is certainly one of the more interesting budgets to come out of this provincial government in many years. Time will tell if the government is able to receive another mandate in the upcoming election in order to have the opportunity to fulfill its commitments in the Budget.

We encourage you to contact your Johnsen Archer advisor and discuss how the Budget measures might impact you or your business.