

Attachment # 3

*KPMG Tax Implications
BC Provincial Budget
Summary*



TaxNewsFlash

Canada

Highlights of the 2023 British Columbia Budget

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British Columbia's Finance Minister Katrine Conroy delivered the province's 2023 budget on February 28, 2023. The budget anticipates a surplus of \$3.6 billion for 2022-23 and projects deficits of \$4.2 billion for 2023-24 and \$3.8 billion for 2024-25. Although the budget does not include any new changes to the corporate or personal tax rates, it introduces a Renter's Tax Credit, increases the B.C. Climate Action Tax Credit and amends the provincial sales tax rules for online marketplace facilitators and services, among other changes.

Corporate tax changes

Corporate income tax rates

The budget does not announce changes to the province's corporate tax rates. As a result, British Columbia's corporate income tax rates remain as follows:

Corporate Income Tax Rates — As of January 1, 2023		
	British Columbia	Combined Federal and British Columbia
General	12%	27%
M&P	12%	27%
Small business ¹	2%	11%

¹ On first \$500,000 of active business income.

Farmers' Food Donation Tax Credit

The budget extends the Farmers' Food Donation Tax Credit, which is also available to individuals, for three years to the end of 2026.

Interactive Digital Media Tax Credit

The budget extends the Interactive Digital Media Tax Credit for five years to August 31, 2028.

Personal tax changes

Personal income tax rates

The budget does not announce changes to personal tax rates. As a result, British Columbia's personal income tax rates effective January 1, 2023 are as follows:

Personal Combined Federal/British Columbia Top Marginal Rates	
	2023
Interest and regular income	53.50%
Capital gains	26.75%
Eligible dividends	36.54%
Non-eligible dividends	48.89%

B.C. Family Benefit

The budget increases the maximum annual B.C. Family Benefit to \$1,750 for a family's first child, \$1,100 for a second child, and \$900 for each subsequent child, effective July 1, 2023. The maximum annual benefit is phased out for families with adjusted family net income over \$27,354.

The budget increases the minimum benefit to \$775 for a family's first child, \$750 for a second child, and \$725 for each subsequent child for families with adjusted family net income of more than \$27,354 and less than \$87,533, effective July 1, 2023.

The budget also announces a maximum annual supplement of \$500 to single parent families in addition to the maximum annual benefit, effective July 1, 2023.

Climate Action Tax Credit

The budget increases the maximum annual Climate Action Tax Credit to \$447 for an adult and \$223.50 for a spouse or common-law partner (from \$193.50), and to \$111.50 per child (from \$56.50), effective July 1, 2023.

Renter's Tax Credit

The budget introduces a new refundable Renter's Tax Credit, effective January 1, 2023. Under this credit, households with adjusted income of up to \$60,000 that rent and occupy a living accommodation in the province for at least six months in a calendar year can claim the maximum amount of \$400 per year. The credit is gradually reduced where adjusted income exceeds \$60,000, reaching zero when adjusted income is \$80,000, based on the 2023 taxation year. The thresholds for this credit will be indexed to inflation each year.

To be eligible to claim this credit, individuals must be at least 19 years old and resident in B.C. on December 31 each year. In addition, rent must be paid to unrelated persons, and excludes amounts paid for a campsite, moorage or manufactured home site, under a rent-to-own plan, or by employers for accommodation not required to be included as income.

Carbon tax changes

Carbon tax rates

In line with the federal requirements, the budget confirms carbon tax rates will increase annually by \$15 per tonne of carbon dioxide equivalent emissions, effective April 1, 2023, until the rates reach \$170 per tonne in 2030.

Output-based pricing system for large industrial operations

The budget confirms that B.C. intends to implement an output-based pricing system (OBPS) that meets updated federal requirements, to replace the existing carbon pricing system effective April 1, 2024. B.C. advises that it will provide more details, including benchmarks for industry, later this spring.

Reduced carbon tax for commercial greenhouse growers

The budget introduces a point-of-sale reduced carbon tax for qualifying commercial greenhouse growers on purchases of natural gas and propane used for heating and generating CO₂ for increased crop productivity, effective April 1, 2023. Qualifying commercial greenhouse growers include those that grow vegetables, fruits, bedding plants, flowers, ornamental plants, tree seedlings, or nursery landscape plants with gross revenues from eligible crops of \$20,000 or more in the previous 12 months and estimated revenues of \$20,000 or more in the next 12 months.

Provincial sales tax changes

Online marketplace facilitators and services

The budget amends the collection obligations of online marketplace facilitators and the taxation of online marketplace services, effective July 1, 2023. Specifically, online marketplace services are taxable when an online marketplace facilitator provides the online

marketplace services to facilitate the sale or provision of non-taxable services. Additional technical changes are made in respect of tax collection obligations on commercial sales, rules on when an online marketplace facilitator is considered to provide an online marketplace service, and the definitions of online marketplace facilitator, online marketplace seller and online marketplace service.

Taxable purchase price

The budget confirms that the federal luxury tax does not form part of the taxable purchase price or lease price, for PST purposes.

Automated external defibrillators

The budget exempts automated external defibrillators (AEDs), kits containing AEDs, and parts and services for AEDs from provincial sales tax, effective March 1, 2023.

Other tax changes

Refund rates for International Fuel Tax Agreement licensees

The budget increases refund rates for International Fuel Tax Agreement licensees effective April 1, 2023, to reflect scheduled increases in the carbon tax each April 1 from 2023 to 2030.

Property transfer tax incentive for new purpose-built rental buildings

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

Insurance premiums

The budget announces that electronic filing and payments under the Insurance Premium Tax Act will be mandatory, effective January 1, 2024,

Other technical measures

The budget also includes other certain technical changes, including clarifying amendments for previously announced measures.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's British Columbia budget on your personal finances or business affairs, and point out ways to realize

any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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