

2018 BC Budget Highlights



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Written by: Steve Reed

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British Columbia Finance Minister, Carole James, delivered the 2018 BC budget on February 20th. The BC budget did not announce any corporate or personal tax rate changes; however, some tax changes that were announced previously came into effect on January 1, 2018. The biggest changes related to the property transfer tax and annual "speculation tax" in an effort to dampen the red-hot real estate market in the Lower Mainland, Vancouver Island, and the BC Interior.

Our Manning Elliott tax team has summarized some of the highlights of the 2018 BC budget below.

Property Transfer Tax Changes

- Effective February 21, 2018, a further tax rate of 2% (from 3% to 5%) will be applied on the sale of properties with a market value above \$3 million.
- Also, effective February 21, 2018 the special additional property transfer tax rate will increase to 20% from 15% and will apply to homes in Metro Vancouver as well as the Fraser Valley, Victoria, Nanaimo and Central Okanagan.

Speculation Tax Changes

- The government of British Columbia will introduce a BC residential property speculation tax. Effective for 2018 and subsequent years, the tax is intended to target both domestic and foreign homeowners who leave their homes vacant.

- Most principal residences and qualifying long-term rental properties will be exempt from the speculation tax.
- Residents who pay BC income taxes but do not qualify for the up-front tax exemption will be entitled to a non-refundable income tax credit.
- The new tax will apply to homes in Metro Vancouver, the Fraser Valley, Victoria, Nanaimo, and Central Okanagan and, in 2018, will be levied at a rate of \$5 per \$1,000 of assessed value and, in 2019, the tax rate will be \$20 per \$1,000 of assessed value.

Corporate tax measures

- The general and M & P corporate income tax rate will be increased from 11% to 12% for 2018 and the combined federal/BC rate increased from 26% to 27%.
- The film incentive BC tax credit will now include costs incurred by a corporation before completion of the final script stage of the production.
- An extension of various tax credits will include the "interactive digital media tax credit" and the "book publishing tax credit."
- To assist with the funding of the elimination of MSP premiums, an employer health tax on employers' payroll will be introduced starting in 2019. The tax will not apply to employers with payroll under \$500,000. Employers with payroll over \$1,500,000 will pay the maximum rate of 1.95%, and for employers with payroll between \$500,000 and \$1,500,000, the tax rate will phase in gradually until it reaches the maximum rate of 1.95%.

Personal tax measures

- The personal income tax rate on non-eligible dividends increased to 43.73% and on eligible dividends to 34.20% for 2018.
- As previously announced, commencing in 2018, taxable income over \$150,000 will be subject to a provincial tax rate of 16.8% bringing the top combined rate to 49.8%.
- Effective January 1, 2020, Medical Services Premiums will be eliminated.
- A new BC caregiver credit will replace the existing caregiver tax credit and the infirm dependent tax credit. The caregiver is not required to live with the dependent in order to claim the credit.
- The BC education tax credit is eliminated effective for 2019, but any unused amounts may be carried forward to be claimed in 2019 and subsequent years.
- The mining flow through share tax credit is extended for one year to the end of 2018.
- The BC Home Owner Grant is available for properties with a value of \$1.65 million, an increase of \$50,000 for 2018.

Should you have any questions regarding the 2018 BC Budget please contact the Manning Elliott Tax Team for more information. To stay up to date on all future BC Budget summaries and highlights, we invite you to subscribe to our mailing list.

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