



## BC's 2016 Budget: What you need to know

Finance Minister Mike De Jong introduced BC's 2016 budget. As is true every year, there's a lot in the document to review. To provide you with the must-know highlights, Manning Elliott's tax team has prepared the following summary, from changes to the *Income Tax Act*, to the expansion of the *BC Seniors' Home Renovation Tax Credit*, to new requirements to the *Property Transfer Tax Act*. Have a read! We welcome your questions and comments.

### ***Income Tax Act***

BC Tax Reduction Credit – Effective for the 2016 tax year, the BC tax reduction credit phase-out threshold increases to \$19,400 from \$19,000. The credit phase-out rate also goes up, to 3.56 percent from 3.5 percent. The enhancement increases the amount of income an individual can earn before they start paying provincial income tax. About 500,000 taxpayers will benefit.

Farmers' Food Donation Tax Credit – Effective February 17, 2016, there's a new non-refundable farmers' food donation tax credit to individuals and corporations in the business of farming. Condition: They must donate a qualifying agricultural product to a registered charity, either providing food to those in need or helping to operate a school meal program. Worth 25 percent of the fair market value of the qualifying agricultural product, the credit must be claimed in the same year as a charitable donation tax credit or deduction is claimed for the donation. The credit is available for the 2016, 2017 and 2018 tax years; after that it will be reviewed.

BC Seniors' Home Renovation Tax Credit – Effective for the 2016 tax year, this tax credit expands to persons with disabilities who are eligible to claim the federal disability tax credit. The expanded credit will be available for eligible expenditures made on or after February 17, 2016. The refundable personal income tax credit helps: the cost of certain permanent home renovations to improve accessibility; or an individual to be more functional or mobile at home.

BC Mining Flow-Through Share Tax Credit – extended to the end of 2016.

Mining Exploration Tax Credit – extended to the end of 2019. For individuals and corporations undertaking mining exploration, the credit is calculated as 20 percent of eligible BC mining exploration expenditures, or 30 percent if exploration is in mountain-pine-beetle-affected areas.

Trusts and Estates – parallels 2014 federal changes. Effective for tax years ending after December 31, 2015, graduated personal income tax rates only apply to "graduated rate estates" or "qualified disability trusts." The top marginal personal income tax rate of 14.7 percent applies to all other BC trusts and estates. The changes maintain: graduated rate taxation for eligible estates for the first 36 months after death; and graduated rate taxation for testamentary trusts for those eligible for the federal disability tax credit. Result: improved tax fairness in reducing tax planning opportunities by beneficiaries accessing more than one set of graduated rates.

Tax Credits for Animation Productions – As announced on June 26, 2015, these tax credits are clarified to ensure they are based on the amount of eligible labour expenditures incurred in regional or distant location areas. The change applies to both the production services tax credit and the Film Incentive BC





tax credit, where principal photography began after June 26, 2015.

### ***Medicare Protection Act***

Medical Services Plan Premiums and Premium Assistance – Effective January 1, 2017, Medical Services Plan (MSP) premiums are increased by about four percent to help fund health care for British Columbians. Maximum premium rates will increase by \$3 per month per adult. These changes will also be made to the MSP premium rate structure, effective January 1, 2017:

1. The calculation of MSP premiums will no longer include children, ensuring all children are treated the same regardless of family composition. As well, there's a significant benefit to single-parent families, who will pay up to \$72 per month less than they pay in 2016. The change will benefit about 70,000 single-parent families.
2. The MSP premium rate paid by couples will be set at twice the MSP premium rate paid by single adults. This ensures adults pay the same maximum premium rate, regardless of family composition. Currently couples pay less than twice the amount paid by single adults. This change will result in a \$14 per month increase in premiums for about 530,000 couples, in addition to the four percent increase.
3. Effective January 1, 2017, the income threshold for a household to receive full MSP premium assistance increases by \$2,000.

### ***Property Transfer Tax Act***

Exemption for Newly Constructed Homes – As of February 17, 2016, there's an exemption from property transfer tax for a newly constructed home that's a principal residence. The buyer doesn't have to be first-time owner of residential property. Full exemption is available for homes with a fair market value up to \$750,000; partial exemption available for homes up to \$800,000.

Property Transfer Tax – Effective February 17, 2016, the property transfer tax rate increases to three percent from two percent on the portion of a property's fair market value above \$2 million. Rates of one percent on the first \$200,000 of a property's fair market value, and two percent on the fair market value between \$200,000 and \$2 million, will continue to apply.

Data on Citizenship and Bare Trusts – Individuals not Canadian citizens or permanent residents will be required to disclose citizenship on registration of a taxable transaction. Corporations will also be required to disclose, on registration of a taxable transaction, the citizenship of any director who is not a Canadian citizen or permanent resident. The amendments will also require the disclosure of the names, addresses and citizenship information of settlors and beneficiaries of bare trusts. The new disclosure requirements will come into effect in spring 2016.

### ***Home Owner Grant Act***

As announced January 5, the threshold for the phase-out of the home owner grant is increased to \$1,200,000 from \$1,100,000 for the 2016 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.





### ***Tourist Accommodation (Assessment Relief) Act***

Effective for the 2017 tax year, the reduction in assessed value for eligible short-term accommodation property outside municipalities increases. The maximum reduction in assessed value goes up to \$500,000 from \$150,000; the assessed value at which the phase-out of the benefit begins, to \$4 million from \$2 million.

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For more information about BC's 2016 Budget, contact a member of the Manning Elliott's Tax Team at **604-714-3600** or fill out our [contact form](#)

You can find the entire BC Budget and Fiscal Plan online at [http://bcbudget.gov.bc.ca/2016/bfp/2016\\_Budget\\_and\\_Fiscal\\_Plan.pdf](http://bcbudget.gov.bc.ca/2016/bfp/2016_Budget_and_Fiscal_Plan.pdf)

