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# Tax Alert – Canada

## British Columbia budget 2024-25

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Budget 2024 continues to put people first and keeps building on a strong foundation. We are taking action to fix today’s big challenges and secure a brighter future for everyone. We’ll do this by helping people with everyday costs. Delivering more homes around BC. Strengthening health care and the services people rely on with steady investments. And by building a stronger, cleaner economy that works better for people.”

*British Columbia Finance Minister Katrine Conroy  
2024-25 budget speech*

On 22 February 2024, British Columbia Finance Minister Katrine Conroy tabled the province’s fiscal 2024-25 budget. The budget contains several tax measures affecting individuals and corporations, including the introduction of a new home flipping tax.

The minister anticipates a deficit of \$7.9 billion for 2024-25 and projects deficits for each of the next two years.

Following is a brief summary of the key tax measures.

# Business tax measures

## Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

British Columbia’s 2024 corporate income tax rates are summarized in Table A.

Table A - 2024 British Columbia corporate income tax rates<sup>1</sup>

	BC	Federal and BC combined
Small-business tax rate <sup>2</sup>	2.00%	11.00%
General corporate tax rate <sup>2,3</sup>	12.00%	27.00%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and British Columbia rates above.

<sup>3</sup> An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

## Other business tax measures

The minister also proposed the following business tax measures:

- ▶ Animation productions will be excluded from the regional and distant location tax credits effective 1 June 2024. The proposed measure will apply for animation productions under either the Film Incentive BC tax credit or the production services tax credit where principal photography begins on or after 1 June 2024.
- ▶ The training tax credit for employers is extended for three years to the end of 2027.
- ▶ The shipbuilding and ship repair industry tax credit is extended for two years to the end of 2026.
- ▶ Oil and gas exploration expenses will be excluded from the mining exploration tax credit effective 23 February 2024.

# Personal tax

## Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2024 British Columbia personal income tax rates are summarized in Table B.

**Table B - 2024 British Columbia personal income tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate	Sixth bracket rate	Seventh bracket rate
\$0 to \$47,937	\$47,938 to \$95,875	\$95,876 to \$110,076	\$110,077 to \$133,664	\$133,665 to \$181,232	\$181,233 to \$252,752	Above \$252,752
5.06%	7.70%	10.50%	12.29%	14.70%	16.80%	20.50%

For taxable income in excess of \$181,232, the 2024 combined federal-British Columbia personal income tax rates are outlined in Table C.

**Table C - Combined 2024 federal and British Columbia personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$181,233 to \$246,752 <sup>2</sup>	46.12%	26.35%	40.40%
\$246,753 to \$252,752	49.80%	31.44%	44.64%
Above \$252,752	53.50%	36.54%	48.89%

<sup>1</sup> The rate on capital gains is one-half the ordinary income tax rate.

<sup>2</sup> The federal basic personal amount comprises two elements: the base amount (\$14,156 for 2024) and an additional amount (\$1,549 for 2024). The additional amount is reduced for individuals with net income in excess of \$173,205 and is fully eliminated for individuals with net income in excess of \$246,752. Consequently, the additional amount is clawed back on net income in excess of \$173,205 until the additional tax credit of \$232 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$173,206 and \$246,752.

## Personal tax credits and other amounts

This budget proposes changes to the following personal credits and other amounts:

- ▶ Effective 1 July 2024, the new temporary BC family benefit bonus is introduced for the 12-month benefit period and will be delivered alongside the BC family benefit. The proposed measure will result in a 25% increase to the annual benefit amounts and the income threshold used to assess eligibility for the BC family benefit. On average, eligible households will receive \$445 over the 12-month period.

- ▶ Effective 1 July 2024, the maximum annual climate action tax credit payment is increased from \$447 to \$504 for an adult, from \$223.50 to \$252 for a spouse or common-law partner, and from \$111.50 to \$126 per child. This credit helps offset the effects of carbon taxes paid by low-to-moderate-income individuals and families. The income thresholds, at which point the tax credit begins to be phased out, will also be increased.
- ▶ The training tax credit for individuals is extended for one year to the end of 2025.

## **Other tax measures**

### **BC home flipping tax**

Effective 1 January 2025, a new tax will be introduced on income from the sale of residential real estate in BC. For properties sold on or after 1 January 2025, the tax rate will be 20% for properties sold within 365 days of purchase, and the tax rate will decline to zero between 366 and 730 days. The tax will also apply to properties sold after the effective date where the property was purchased before 1 January 2025 and the property is sold within two years of its purchase. The tax will not apply to land or portions of land that are used for non-residential purposes.

Exemptions will be available for:

- ▶ Certain life circumstances that may motivate the sale of a property within two years, such as separation or divorce, death, disability or illness, relocation for work, involuntary job loss, change in household membership, personal safety or insolvency; and
- ▶ Taxpayers that add to the housing supply or engage in construction and real estate development.

In addition to the above exemptions, individuals selling their principal residence within two years of purchase will be able to exclude a maximum of \$20,000 when calculating taxable income.

Legislation to introduce this measure is expected to be introduced in the spring.

### **Employer health tax**

Effective 1 January 2024, the employer health tax exemption threshold is increased from \$500,000 to \$1 million. The notch rate for remuneration above the new exemption threshold and below the full rate threshold (\$1.5 million) is increased from 2.925% to 5.850%.

## **Carbon tax**

Effective 1 April 2024, the biomethane credit refund is amended so that it is based solely on the sum of the biomethane credits provided by the qualifying retail dealer in a reporting period. Unused biomethane may be carried forward two years from the end of the reporting period in which the biomethane is blended.

## **Property transfer tax**

- ▶ Purchases of new qualifying purpose-built rental buildings will be exempt from the general property transfer tax, effective for transactions that occur between 1 January 2025 and 31 December 2030. Purpose-built rental buildings are generally properties that are non-stratified and held as rentals, on a monthly basis or longer, for at least 10 years. To qualify, the residential portion of the property must be entirely used for rental activities and have at least four apartments.
- ▶ Effective 1 April 2024, the first-time home buyers' exemption threshold is increased from a fair market value of \$500,000 to \$835,000, with the first \$500,000 exempt from property transfer tax, resulting in savings of up to \$8,000 for first-time home buyers.
- ▶ Effective 1 April 2024, the fair market value threshold for the newly built home exemption is increased from \$750,000 to \$1,100,000.

## **Speculation and vacancy tax**

Effective 1 January 2024, a person who possesses a residential property under a lease registered at the Land Title and Survey Authority of BC will be considered the registered occupier of the property for the purpose of the speculation and vacancy tax and, as such, will be responsible for the tax.

## **Modern Treaty Nation Property taxation**

Effective for 2025, the requirement for property taxation will not be imposed on Nisga'a Lands or the Treaty Lands of a Modern Treaty Nation. This change will allow Modern Treaty Nations to self-determine property taxation on their respective treaty lands. In addition, the *Assessment Act* will be amended to better align provincial assessment rules with the unique aspects of Nisga'a Lands and Treaty Lands as well as Modern Treaty Nation governance.

## **Insurance Premium Tax Act**

Effective on Royal Assent, farmers will no longer be subject to insurance premium tax for provincial agricultural insurance programs offered by the Ministry of Agriculture and Food.

## Other technical amendments

Technical amendments are proposed to various provincial statutes, including the *Carbon Tax Act*, *Income Tax Act*, *Motor Fuel Tax Act*, *Property Transfer Tax Act*, *Provincial Sales Tax Act* and the *Speculation and Vacancy Tax Act*. These amendments are generally intended to improve administrative effectiveness or enforcement, maintain the integrity of tax and revenue collection systems, or enhance legislative clarity or regulatory flexibility to preserve policy intent.

Of note, the technical amendments include:

- ▶ The BC *Income Tax Act* is amended:
  - ▶ Effective 15 December 2022, to clarify that the general anti-avoidance rule will apply to abusive transactions that may result in future tax benefits, for transactions that occur on or after 7 April 2022. In other words, the tax benefit need not be realized at the time the general anti-avoidance rule is applied.
  - ▶ Effective for payments made after 2023, to require payments to the Receiver General in excess of \$10,000 to be made electronically.
  - ▶ Effective on Royal Assent, to extend the clean building tax credit's certification deadline by six months to 30 September 2027.
- ▶ The *Provincial Sales Tax Act* is amended:
  - ▶ Effective 1 July 2024, to specify that a refund of PST may be restricted where a person is acquiring goods for the purpose of export and resale, but the person presents themselves as being the consumer of the goods.
  - ▶ Effective 1 April 2013, to amend the definition of “software” retroactively for PST purposes.<sup>1</sup>
  - ▶ Effective on Royal Assent, to enable a person who purchases goods from a seller that did not collect PST, where the purchaser has self-assessed PST but then later returns the goods for a refund, to claim a PST refund on the self-assessed PST.
  - ▶ Effective 23 February 2024, to clarify that projects using sunlight, wind, tides, air or water to manufacture clean energy will qualify for the production machinery and equipment PST exemption.
  - ▶ To clarify certain rules regarding when services are provided with taxable leased goods.

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<sup>1</sup> In addition, Bulletin PST 105, *Software*, and Bulletin PST 107, *Telecommunication Services*, have been updated.

## Learn more

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