

TAX FLASH BULLETIN

2022 BC BUDGET HIGHLIGHTS

On February 22, 2022, British Columbia's Minister of Finance, Selina Robinson, tabled the province's budget for the 2022-2023 fiscal year. The minister forecasts a \$5.5 billion deficit for the 2022-2023 fiscal year and \$4.2 billion for 2023-2024. The minister updated the forecast for the current 2021-2022 fiscal year to end with a deficit of \$483 million in comparison to the \$9.7 billion deficit estimated in the prior year's budget. We have highlighted select budget measures relevant to individuals and small businesses in British Columbia.

INDIVIDUALS

Personal Tax Rates

The budget did not propose any changes to personal income tax rates. The taxable income figures below reflect BC's indexed income brackets for 2021 and 2022.

Provincial Income Tax Brackets and Tax Rates

2021 Taxable Income	2022 Taxable Income	Rate
\$0 to \$42,184	\$0 to \$43,070	5.06%
\$42,184 to \$84,369	\$43,070 to \$86,141	7.70%
\$84,369 to \$96,866	\$86,141 to \$98,901	10.50%
\$96,866 to \$117,623	\$98,901 to \$120,094	12.29%
\$117,623 to \$159,483	\$120,094 to \$162,832	14.70%
\$159,483 to \$222,420	\$162,832 to \$227,091	16.80%
Over \$222,420	Over \$227,091	20.50%

Top Combined BC and Federal Rates

Income Type	2021	2022
Salary, interest, pension, foreign	53.50%	53.50%
Eligible dividends	36.54%	36.54%
Non-eligible dividends	48.89%	48.89%
Capital gains	26.75%	26.75%

Top rates apply to taxable income over \$227,091 and \$222,420 (2021) based on known federal and BC rates at February 22, 2022.

Extension to Training Tax Credits (BC Form T1014)

The budget extends the existing training tax credit for another two years to December 31, 2024. The training tax credit is for apprentices and employers who take part in eligible apprenticeship programs administered through the British Columbia Industry Training Authority. Apprentices can claim up to a total of \$6,500 in training tax credits after completing certain levels of training programs. First Nations individuals and persons with disabilities are eligible for an enhanced credit claim up to \$9,750.

Temporary Increase to Budget for Small Business Venture Capital Tax Credit (BC479)

The budget temporarily increases the funding available for the small business venture capital tax credit from \$38.5 million to \$41 million for the 2022 to 2024 calendar years. The government will allocate the \$2.5 million increase to investments in clean technology businesses. Both individuals and corporations can claim the small business venture capital tax credit.

CONSUMER AND OTHER TAXES

Zero-Emission Vehicles Sales Tax Exemptions

Effective February 23, 2022, used zero-emission vehicles driven for at least 6,000 kilometres are exempt from provincial sales tax. The exemption will expire on February 22, 2027.

Additionally, effective February 23, 2022, the passenger vehicle surtax threshold for zero-emission vehicles is increased to \$75,000 from \$55,000. The increased surtax threshold will expire on February 22, 2027.

Private Vehicle Sales Tax Price Adjustment

Effective October 1, 2022, tax on private sales of motor vehicles will be based on the greater of the reported purchase price and the average wholesale value of the vehicle. The measure will not apply for motor vehicles involved in a trade-in.

Hydrogen Exemption Expanded

Effective February 23, 2022, hydrogen fuel is classified as a Category 1 alternative motor fuel and is exempt from motor fuel tax provided that:

- the hydrogen is purchased for use in an internal combustion engine vehicle; and
- the hydrogen is not produced by electrolysis using coal-generated electricity, unless the carbon dioxide emitted as a result of the process is captured and stored or captured and sequestered.

Heat Pump Exemption

Effective April 1, 2022, heat pumps are exempt from provincial sales tax. If a heat pump is purchased before April 1, 2022 to fulfil a contract where the heat pump is affixed or installed into real property on or after April 1, 2022, the person who paid the provincial sales tax on the heat pump will be eligible to apply for a refund of that tax.

To further incentivize the switch to heat pumps, effective April 1, 2022, the provincial sales tax on a fossil fuel combustion system that heats or cools buildings or water is increased from 7% to 12%. For contracts entered into on or after February 23, 2022, fossil fuel combustion systems will be subject to the 12 per cent rate if they are affixed or installed into real property on or after April 1, 2022. Detailed transition rules will be published by the Ministry of Finance.

Tobacco Sales Tax

The budget removes the exemption of provincial sales tax from tobacco, effective July 1, 2022.

Speculation and Vacancy Tax Exemptions

Permanent Exemption for Strata Hotels

Owners of a strata accommodation property as defined in the Assessment Act, also called strata hotels, are now permanently exempt from the Speculation and Vacancy Tax. This exemption, which was introduced as a temporary exemption, is now available for the 2018 and subsequent tax years.

Exemption Expanded for Hazardous or Damaged Residential Property

For 2021 only, this exemption may also apply to other properties affected by the flooding and landslides that caused a state of emergency in the Fraser Valley, provided that:

- The property is partly or completely within the municipal boundaries of Abbotsford, Chilliwack, or Mission
- A residence on the property was made uninhabitable by a flood or landslide fewer than 60 days before the end of 2021
- The flood or landslide was beyond the reasonable control of the owner
- If the flood or landslide had not happened, an owner of the property would've been exempt from the tax because of either:
 - a. an exemption related to **principal residence** or
 - b. a **tenancy exemption**

The exemption is available in the following calendar year after the damage occurs if the residence is still not inhabitable before March 1, 2022.

Increase to Home Owner Grant Threshold

The provincial government previously announced on January 5, 2022 the threshold for the phase-out of the home owner grant increased from \$1,625,000 to \$1,975,000 for the 2022 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.

BUSINESSES

Corporate Tax Rates

The budget did not propose any changes to corporate income tax rates and it did not change the \$500,000 provincial small business income threshold. The calendar year rates below reflect a December 31st year end.

2022 Provincial and Federal Corporate Tax Rates

Income Type	BC Rate	Federal Rate	Combined Rates Calendar 2022
General corporate	12.00%	15.00%	27.00%
Small business	2.00%	9.00%	11.00%
CCPC* investment	12.00%	38.67%	50.67%
Non-CCPC investment	12.00%	15.00%	27.00%
Manufacturing and processing income	12.00%	15.00%	27.00%

Based on known federal and BC rates at February 22, 2022

*Canadian Controlled Private Corporation

Extension to Training Tax Credits (BC Form T1041-1 or T2 SCH 428)

The budget extends the existing training tax credit for another two years to December 31, 2024. The training tax credit is for apprentices and employers who take part in eligible apprenticeship programs administered through the British Columbia Industry Training Authority. Employers can claim up to a total of \$9,500 in training tax credits per eligible employee. The employer is also eligible for further enhanced training tax credits for First Nations and disabled employees.

New Clean Buildings Tax Credit

The budget introduces a new temporary tax credit for retrofits that improve the energy efficiency of multi-unit residential buildings with four or more dwellings and certain prescribed types of commercial buildings. Effective February 23, 2022, taxpayers who improve the energy efficiency of the buildings to meet prescribed energy use targets after the retrofit is completed can receive a refundable tax credit of 5% of eligible expenditures paid. Eligible expenditures must be made before April 1, 2025, and under a contract entered into after February 22, 2022.

Extension of Shipbuilding and Ship Repair Industry Tax Credit (BC Form T1014-2 or T2 SCH 430)

The budget extends the shipbuilding and ship repair industry tax credit for two years to December 31, 2024. An enhanced program is available for First Nations individuals or persons with disabilities for eligible trade programs.

New Tax Obligations for Marketplace Facilitators

The budget introduces provincial sales tax collection, remittance, and reporting obligations for businesses that facilitate the sale or leasing of certain goods, services, or software for third parties through their online platform to consumers in B.C. The sellers will be relieved of their obligation to collect and remit tax on sales and leases made through a marketplace facilitator. This measure is effective July 1, 2022.

Also effective July 1, 2022, marketplace facilitators will be required to charge provincial sales tax on marketplace facilitation services they provide to sellers.

The budget notes the government will work over the coming months to expand the provincial sales tax collection obligations to the sales of goods shipped from outside Canada to consumers in B.C.

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