

2023 Issue No. 07  
1 March 2023

# Tax Alert – Canada

## British Columbia budget 2023-24

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 2023 will continue our work to build a stronger, cleaner economy for everyone - right across our province.”

*British Columbia Finance Minister Katrine Conroy  
2023-24 budget speech*

On 28 February 2023, British Columbia Finance Minister Katrine Conroy tabled the province's fiscal 2023-24 budget. The budget contains several tax measures affecting individuals and corporations.

The minister anticipates a deficit of \$4.2 billion for 2023-24 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 tax rates or the \$500,000 small-business limit.

British Columbia's 2023 corporate income tax rates are summarized in Table A.

Table A - 2023 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 corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% small-business corporate income tax rate.

<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), effective for taxation years ending after 7 April 2022 (prorated for taxation years straddling this effective date).

## Other business tax measures

The minister also proposed the following business tax measures:

- ▶ The interactive digital media tax credit is extended for five years to 31 August 2028.
- ▶ The farmers' food donation tax credit is extended for three years to the end of 2026. This credit is also available to individuals.

## Personal tax

### Personal income tax rates

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

The 2023 British Columbia personal income tax rates are summarized in Table B.

**Table B - 2023 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 \$45,654	\$45,655 to \$91,310	\$91,311 to \$104,835	\$104,836 to \$127,299	\$127,300 to \$172,602	\$172,603 to \$240,716	Above \$240,716
5.06%	7.70%	10.50%	12.29%	14.70%	16.80%	20.50%

For taxable income in excess of \$172,602, the 2023 combined federal-British Columbia personal income tax rates are outlined in Table C.

**Table C - Combined 2023 federal and British Columbia personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$172,603 to \$235,675 <sup>2</sup>	46.12%	26.35%	40.40%
\$235,676 to \$240,716	49.80%	31.44%	44.64%
Above \$240,716	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 (\$13,521 for 2023) and an additional amount (\$1,479 for 2023). The additional amount is reduced for individuals with net income in excess of \$165,430 and is fully eliminated for individuals with net income in excess of \$235,675. Consequently, the additional amount is clawed back on net income in excess of \$165,430 until the additional tax credit of \$222 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$165,431 and \$235,675.

### Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ Effective 1 July 2023, BC family benefit amounts are permanently increased based on the number of children under the age of 18 in a family and a supplement of up to \$500 for single parents is introduced. The increase is estimated as follows:
  - a) A two-parent family with two children could receive up to an additional \$250 per year as a result of the increase in the maximum annual benefit.
  - b) An eligible two-parent family with two children will receive at least an additional \$145 per year as a result of the increase in the minimum annual benefit.

- c) A single parent with two children could receive up to an additional \$750 per year as a result of the benefit increase and the additional supplement.
- ▶ Effective 1 July 2023, the BC climate action tax credit will increase as a result of revenue generated by the scheduled carbon tax rate increase this year. The credit amount will be increased from \$193.50 to \$447 for an adult, from \$193.50 to \$223.50 for a spouse or common-law partner, and from \$56.50 to \$111.50 for a child. This credit is available to low-to-moderate-income individuals and families.
- ▶ Effective 1 January 2023, a new refundable renter's tax credit is introduced. The credit will be income-tested with a maximum amount of \$400 per year for households with adjusted net income of up to \$60,000. Households with adjusted net income between \$60,000 and \$80,000 will receive a reduced credit amount. The adjusted net income thresholds will be indexed to inflation each year.

## Provincial sales tax

### Exemption for automated external defibrillators

- ▶ Effective 1 March 2023, automated external defibrillators (AEDs) are exempt from provincial sales tax. Kits containing AEDs, and parts and services for AEDs (including pads), are also exempt from provincial sales tax.

### Marketplace facilitator collection, remittance and reporting obligations

- ▶ Effective 1 July 2023, the *Provincial Sales Tax Act* will be amended such that online marketplace services will be taxable when an online marketplace facilitator provides the service to facilitate the sale or provision of non-taxable services.
- ▶ The rules establishing when online marketplace services are taxable will be amended to align more closely with place-of-supply rules found in the federal *Excise Tax Act*.
- ▶ Additional changes have been made to the tax collection obligations of online marketplace facilitators in respect of commercial sales, rules on when an online marketplace facilitator is considered to provide an online marketplace service, and definitions of online marketplace facilitator, online marketplace seller and online marketplace service.

## Other tax measures

### Carbon tax

- ▶ Effective 1 April 2023, carbon tax rates, which are currently set at \$50 per tonne of carbon dioxide (CO<sub>2</sub>) equivalent emissions, are being increased by \$15 per tonne annually until they reach \$170 per tonne in 2030.
- ▶ Effective 1 April 2024, large emitters (e.g., pulp and paper mills, oil and gas operations, and large mines) will be exempt from tax imposed under the *Carbon Tax Act*. Instead, these operations will be subject to a made-in-BC output-based pricing system, under which they will pay for emissions that exceed performance-based emission limits.

- ▶ Effective 1 April 2023, qualifying commercial greenhouse growers can claim a point-of-sale reduced carbon tax for purchases of natural gas and propane used for heating and generating CO<sub>2</sub> for increased crop productivity.

To qualify, greenhouse growers must:

- ▶ Grow vegetables, fruits, bedding plants, flowers, ornamental plants, tree seedlings or nursery landscape plants; and
- ▶ Generate gross revenues of \$20,000 or more in the previous 12 months and have a reasonable estimate that revenues will be \$20,000 or more in the next 12 months.

### **Motor fuel tax**

Effective 1 April 2023, the refund rates for International Fuel Tax Agreement licensees are increased to reflect scheduled increases in the carbon tax each 1 April from 2023 through to 2030 as discussed above.

### **Property transfer tax**

Effective for transactions that occur on or after 1 January 2024, purchases of new purpose-built rental buildings will be exempt from the further 2% property transfer tax that is applied to the fair market value of the residential component of a taxable transaction that exceeds \$3 million.

Purpose-built rental buildings are those that are non-stratified and held as rental, on a monthly basis or longer, for at least 10 years.

The residential portion of the building must be entirely for rental and have at least four apartments.

### **Other technical amendments**

Technical amendments are proposed to various provincial statutes. 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.

## Learn more

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