

## Changes to Legislation Administered by the Income Taxation Branch of the Ministry of Small Business and Revenue

On February 19, 2008, the Minister of Finance announced changes to the taxation legislation administered by the Income Taxation Branch of the Ministry of Small Business and Revenue. This bulletin provides a summary of the changes.

For information on other changes to legislation administered by the Ministry of Small Business and Revenue, please see [Budget Bulletin 2008, Changes to Legislation Administered by the Ministry of Small Business and Revenue](#).

For more information on the carbon tax, please see the Ministry of Finance Budget Website at [www.bcbudget.gov.bc.ca/2008](http://www.bcbudget.gov.bc.ca/2008)

### Table of Contents

<b>Summary</b> .....	2
Income Tax Act.....	2
Corporation Capital Tax Act .....	6
International Financial Activity Act.....	7

## Summary

### Income Tax Act

- Low Income Climate Action Tax Credit
- Personal Income Tax Rates
- Climate Action Dividend
- General Corporate Income Tax Rate
- Small Business Corporate Income Tax Rate
- Dividend Tax Credit Rates
- Film and Television Tax Credits Extended
- Film and Television Tax Credit Rates Enhanced
- Distant Location Film and Television Tax Credits
- Definition of BC-Based Individual

### Corporation Capital Tax Act

- Phase Out of Corporation Capital Tax
- Introduction of Minimum Tax
- Non-Equity Shares

### International Financial Activity Act

- Intellectual Property Expanded to Include Green-Related Patents
- Definition of International Financial Business Amended
- Allowable Hedging Activities
- Short Term Financial Instruments Allowed
- Management and Control Activities Allowed

## Income Tax Act

### Low Income Climate Action Tax Credit

To help low-income individuals and families with carbon taxes they pay, and as part of the government's commitment to return carbon tax revenue to taxpayers, a new ongoing low income climate action tax credit is introduced effective July 2008.

The maximum annual tax credit is \$100 per adult plus \$30 per child. Single parent families can claim the adult amount for the first child instead of the child amount. The maximum annual credit is reduced by 2% of net family income in excess of \$30,000 for single individuals and in excess of \$35,000 for families. The net family income amounts will be indexed annually to inflation. The maximum credit amounts will increase to \$105 per adult and \$31.50 per child starting in July 2009.

The credit will be paid together with the federal Goods and Services Tax Credit payments made each July, October, January and April. As such, eligible recipients will receive 25% of the credit each quarter. The first payment under this program, based on 2007 net family income, will be made in October 2008 and will include the amount for July 2008.

## Personal Income Tax Rates

The two lowest provincial personal income tax rates are reduced for 2008, and for 2009 and subsequent tax years. The rate reductions will result in a tax cut for all taxpayers of about 2% in 2008 and a 5% cut by 2009 on income in the first two tax brackets, up to about \$70,000 in taxable income.

The rate reductions will help meet the requirement to return all carbon tax revenue to taxpayers. Table 1 shows the provincial personal income tax rates prior to the rate cuts, the rates for 2008, and the rates for 2009 and subsequent tax years.

**Table 1 British Columbia Personal Income Tax Brackets and Rates**

Tax Bracket	Taxable income range*	Tax rates		
		Prior to changes	2008	2009
1	\$1 to \$35,016	5.35%	5.24%	5.06%
2	\$35,016.01 to \$70,033	8.15%	7.98%	7.70%
3	\$70,033.01 to \$80,406	10.50%	10.50%	10.50%
4	\$80,406.01 to \$97,636	12.29%	12.29%	12.29%
5	Over \$97,636	14.70%	14.70%	14.70%

\* Brackets are indexed to provincial inflation and may change for 2009.

Table 2 shows the impact of the tax rate changes to British Columbia personal income taxes payable by a single individual with wage income and claiming basic credits only.

**Table 2 British Columbia Tax Cut - Impact on Taxpayers**

Taxable income	2008 BC tax before tax cuts	Reduction in tax	
		2008	2009
\$20,000	\$233	\$11	\$28
\$30,000	\$1,015	\$20	\$55
\$40,000	\$1,654	\$34	\$90
\$50,000	\$2,455	\$51	\$134
\$60,000	\$3,270	\$68	\$179
\$70,000	\$4,085	\$85	\$224
\$80,000	\$5,134	\$85	\$224
\$100,000	\$7,642	\$85	\$224
\$120,000	\$10,582	\$85	\$224
\$150,000	\$14,992	\$85	\$224

### **Climate Action Dividend**

The province will make a one-time climate action dividend payment of \$100 for each British Columbian resident in the province on December 31, 2007.

Individuals who are 18 years of age, who meet the residency requirement and who are not incarcerated, will, in most cases, receive the payment automatically. In addition to their \$100 payment, parents will also receive \$100 for each child in their care that is under 18 years of age on December 31, 2007.

Most British Columbians will receive their one-time payment in June 2008. Outreach programs will be established to ensure that all British Columbians receive their payments.

### **General Corporate Income Tax Rate**

Effective July 1, 2008, the general corporate income tax rate is reduced to 11% from 12%. The rate reduction will help meet the requirement to return all carbon tax revenue to taxpayers. The rate will be pro-rated for taxation years that straddle July 1.

### **Small Business Corporate Income Tax Rate**

Effective July 1, 2008, the small business corporate income tax rate is reduced to 3.5% from 4.5%. The rate reduction will help meet the requirement to return all carbon tax revenue to taxpayers. The rate will be pro-rated for taxation years that straddle July 1.

### **Dividend Tax Credit Rates**

Effective January 1, 2009, the dividend tax credit rates are reduced to reflect the reduction in both the general and small business corporate income tax rates. The enhanced dividend tax credit rate is reduced to 11% from 12% and the regular dividend tax credit rate is reduced to 4.2% from 5.1%.

### **Film and Television Tax Credits Extended**

As announced on October 19, 2007, the Film and Television Tax Credit and the Production Services Tax Credit are extended by five years to April and June 2013, respectively.

### **Film and Television Tax Credit Rates Enhanced**

As announced on January 25, 2008, the basic Film and Television Tax Credit rate is increased to 35% from 30% and the basic Production Services Tax Credit rate is increased to 25% from 18%. These rates apply to qualifying BC labour expenditures incurred after December 31, 2007 for productions with principal photography that begins before January 1, 2010.

### **Distant Location Film and Television Tax Credits**

Effective for productions with principal photography that begins after February 19, 2008, distant location tax credits of 6% are available in addition to the regional film tax credits for principal photography done on at least one day at a distant location. Regional tax credits will continue to be provided for principal photography done in British Columbia outside of the designated Vancouver area. Regional, but not distant location, tax credits will be provided for principal photography done in the area that extends from the designated Vancouver area north up to and including Whistler, and east to include Hope. The distant location tax credits will be provided for principal photography done in British Columbia beyond this area (excluding the Capital Regional District.)

The regional tax credit rates are 12.5% for the Regional Film and Television Tax Credit and 6% for the Regional Production Services Tax Credit. The distant location tax credits will be an additional 6% for both the Regional Film and Television Tax Credit and the Regional Production Services Tax Credit.

### **Definition of BC-Based Individual**

Effective for productions with principal photography that begins after February 19, 2008, a BC-based individual is defined, for purposes of determining labour expenditures for Film and Television Tax Credits, as a person who is resident in the province on December 31 of the year preceding the year for which the tax credit is claimed. This change will allow labour expenditures incurred with respect to individuals who move to British Columbia after the start of production to qualify for the credits.

## Corporation Capital Tax Act

### Phase Out of Corporation Capital Tax

Effective April 1, 2008, the *Corporation Capital Tax Act* is amended to phase out the existing corporation capital tax over the next three years, by reducing the rates by one-third each year. The rates will be pro-rated for taxation years that straddle April 1. Table 3 shows the current rates and the phase-out schedule over the next three years.

**Table 3 Corporation Capital Tax Rates**

Corporation Type	Current	April 1, 2008	April 1, 2009	April 1, 2010
Small financial institutions*	1%	2/3 of 1%	1/3 of 1%	0%
Large financial institutions	3%	2%	1%	0%

\* Financial institutions with paid up capital under \$1 billion or that have a head office in British Columbia.

### Introduction of Minimum Tax

Effective April 1, 2010, financial institutions that have net paid up capital equal to or greater than \$1 billion will be subject to a minimum tax of 1% of B.C. paid up capital. The minimum tax is reduced by the total of British Columbia corporate income tax payable for that year, for the seven preceding years and for the three subsequent years. The minimum tax will be pro-rated for taxation years that straddle April 1, 2010.

### Non-Equity Shares

Effective January 1, 2001, the Act is amended to clarify that only non-equity shares of credit unions are excluded from the determination of B.C. paid up capital. All other shares of capital stock, regardless of presentation as a liability or as shareholders' equity on the corporation's balance sheet, must be included in capital stock for the purposes of calculating B.C. paid up capital under the Act.

## **International Financial Activity Act**

### **Intellectual Property Expanded to Include Green-Related Patents**

Effective March 1, 2008, the list of eligible life-science related patents is expanded to include patents with World Patent Office classifications related to power generation using forces of nature such as wind, solar and tidal.

### **Definition of International Financial Business Amended**

Effective February 20, 2008, the definition of international financial business is expanded to include a substantial British Columbia presence test. The definition of international financial business will include the following parameters:

- the corporation carries on an active business, or
- the corporation is affiliated with another corporation that carries on an active business and the corporation pays at least \$300,000 in annual salary and wages to employees employed in the active conduct of the corporation's business and has shares of at least \$10 million related to the business.

### **Allowable Hedging Activities**

Effective September 1, 2004, the Act is amended to include the income or loss from certain hedging transactions in determining eligible income for non-securities corporations.

### **Short Term Financial Instruments Allowed**

Effective February 20, 2008, the Act is amended to allow non-securities corporations to trade in money market investments with a non-resident. These are generally short-term investments and include treasury bills issued by a government, commercial paper and bankers' acceptances.

### **Management and Control Activities Allowed**

Effective February 20, 2008, the Act is expanded to allow management and control functions as an eligible international financial activity. Management and control functions will be prescribed and will include human resource and strategic planning services provided to a non-resident.



## Need more info?

### **Ministry of Small Business and Revenue**

Income Taxation Branch

PO Box 9444 Stn Prov Govt

Victoria BC V8W 9W8

#### **Telephone:**

Income Tax: 250 387-3332

Corporation Capital Tax: 250 953-3082

International Financial Activity: 250 953-3082

Service BC: 1 800 663-7867

**Fax:** 250 356-9243

**E-mail:** [ITBTaxQuestions@gov.bc.ca](mailto:ITBTaxQuestions@gov.bc.ca)

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. For more information, please see our website at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

**References:** Bill 2, *Budget Measures Implementation Act, 2008*