

Tax Memo

2008 British Columbia Economic Plan: Highlights

British Columbia's Economic Plan, delivered on October 22, 2008, includes measures to "improve the province's competitiveness and reduce costs for families and businesses." Key changes accelerate income tax cuts for small businesses and individuals. This *Tax Memo* discusses these and other initiatives.

The government stated that the Economic Plan will not compromise the province's ability to balance its budget. For help determining what the changes mean for you or your corporation, please contact your PricewaterhouseCoopers adviser or:

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Corporate Income Taxes

The small business rate will decline from 3.5% to 2.5% on December 1, 2008, instead of by 2011, as originally scheduled. The rate had been reduced from 4.5% to 3.5% on July 1, 2008.

No further changes were made to the general rate (which also applies to manufacturing and processing income). This rate had dropped from 12% to 11% on July 1, 2008, and is still expected to fall to 10% by 2011.

Corporate income tax rates

The following combined federal/British Columbia rates apply to December 31 year ends:

	General and M&P income ¹	CCPCs	
		Active business income up to \$400,000	Investment income
2007	34.12%	17.62%	47.79%
2008	31.00%	14.91%	46.16%
2009	30.00%	13.50%	45.67%
By 2012	25.00%		44.67%

1. The rates do not apply to the income of certain credit unions, most deposit insurance corporations, mutual fund corporations, mortgage investment corporations and investment corporations.

Personal Income Taxes

Personal income tax reductions that were originally scheduled for January 1, 2009, will apply retroactive to January 1, 2008, as follows

		Previous	Revised
		2008 ¹	
British Columbia income tax rates and thresholds	Highest	14.7%	\$97,636
		12.29%	\$80,406
	↑	10.5%	\$70,033
		7.98%	\$35,016
	Lowest	5.24%	5.06%
			\$0

1, The thresholds will be indexed for 2009.

The table below shows the combined federal/British Columbia tax payable at various income levels for 2008.

		Amount of tax		Tax saving for 2008
		Previous rates	Revised rates	
Taxable income	\$500,000	\$200,684	\$200,539	\$145
	\$250,000	\$91,434	\$91,289	
	\$150,000	\$47,734	\$47,589	\$144
	\$100,000	\$26,579	\$26,435	
	\$50,000	\$9,457	\$9,369	\$88
	\$30,000	\$4,150	\$4,113	\$37

Personal income tax rates

No changes were made to top combined federal/British Columbia personal tax rates, which will remain as follows:

	Ordinary income & interest	Capital gains	Canadian dividends	
			Eligible	Non-eligible
2008	43.70%	21.85%	18.47%	31.58%
2009			19.92%	32.71%

The Economic Plan did not change the non-eligible dividend tax credit rate to take into account the December 1, 2008 reduction in the small business rate. This change may be announced at a later date.

Other changes

Other initiatives in the Economic Plan include:

- **School property tax rebate** – Light and heavy industry will receive 50% rebates on all school property taxes.
- **Commission paid for tax collection** – The commission paid to business for collecting provincial sales tax and the hotel room tax will be doubled.
- **Deposit insurance for credit union deposits** – Starting October 22, 2008, deposits to British Columbia's credit unions will benefit from unlimited deposit insurance protection. Previously, a \$100,000 limit applied.
- **Private sector pension** – A privately financed, defined contribution pension plan will be available to employers, employees and self-employed individuals who do not have access to a pension plan.
- **Public infrastructure** – Public investment in capital infrastructure projects will accelerate. The focus will be on projects without a long lead time that will retain employment in construction.
- **Ferries** – Ferry fares will be reduced on all routes for December and January, and service levels for all routes will be restored.

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