

September Budget Update 2009 - Tax Change Summary

On September 1, 2009, the Minister of Finance announced changes to provincial taxation legislation. This notice provides a brief description of the consumer tax and income tax changes. For a summary explanation of all the tax changes, please see the Ministry of Finance's *2009 Budget and Fiscal Plan Update*.

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Consumer Taxes

Carbon Tax

Renewable fuels

Effective January 1, 2010, the carbon tax rates for gasoline and light fuel oil (diesel fuel, locomotive fuel, heating oil, and industrial oil) are each reduced by 5% to reflect the renewable fuel standard (RFS) under the *Greenhouse Gas Reduction (Renewable and Low*

Carbon Fuel Requirements) Act coming into effect on January 1, 2010. The RFS requires that the total volume of gasoline and diesel class fuels (i.e. light fuel oil) sold in the province contain an average of 5% renewable fuel.

Carbon tax will apply to ethanol at the same rate as gasoline, and to renewable diesel fuel at the same rate as light fuel oil. Renewable diesel fuel includes both biodiesel and hydrogenated-derived renewable diesel fuel.

For more information, please see the [Renewable Fuels Notice – Carbon Tax](#) and the schedule, [Carbon Tax Rates by Fuel Type – From January 1, 2010](#).

Sales of fuel between certain collectors

The *Carbon Tax Act* is amended to clarify the requirements for the exemption from the payment of security on sales between collectors who both own and operate crude oil refineries in Canada.

A new class of collector called a **refiner collector** is introduced. If a collector wishes to sell fuel exempt of security to another collector in British Columbia, both must be appointed refiner collectors by the director for the same type, or subcategory of a type, of fuel.

On application, the director may:

- determine if the applicant is suitable for the appointment, and
- appoint the collector if the collector, or one or more interrelated entities (entities that are within the same corporate family group), own and operate a crude oil refinery in Canada.

The director determines whether an entity is interrelated and may also require other terms and limitations which the refiner collector must satisfy.

The ministry will provide information on how a collector may apply to be a refiner collector in the near future.

Natural gas

Effective January 1, 2010, the following changes are made under the *Carbon Tax Act* and regulations.

- The distinction between raw natural gas and marketable natural gas is eliminated. As a result, all natural gas is treated the same regardless of where it is used or sold and is exempt from the security scheme.
- Gas liquids are added as a new fuel type. Gas liquids, processed from natural gas or crude oil, is a mixture of two or more of the following fuels: ethane, butane, propane or pentanes plus. To be considered a gas liquid, the fuel must not have

been processed into ethane, butane, propane or pentanes plus and then re-mixed. For example, butane and propane mixed together to make liquid petroleum gas is not considered a gas liquid, but a blend of butane and propane. However, liquid petroleum gas that has been processed directly from natural gas or crude oil that has never been separated out into identifiable butane or propane is a gas liquid.

- Pentanes plus is also added as a new fuel type. Pentanes plus can be processed from both natural gas and crude oil. Pentanes plus can be pentane alone, pentane in combination with one or more heavier hydrocarbons, or one or more other heavier hydrocarbons.

For information on tax rates for these new fuel types, please see the schedule, [Carbon Tax Rates by Fuel Type – From January 1, 2010](#).

New subcategory of light fuel oil

Effective January 1, 2010, **industrial oil** is added as a new subcategory of light fuel oil under the *Carbon Tax Act* regulations to provide greater certainty for appointments and certificates. Industrial oil is light fuel oil that is used for non-energy purposes, such as feedstock, pipeline pigging or down-hole operations at a well site.

Non-energy uses of fuel

Effective September 2, 2009, the exemption for reductants in the production of lead or zinc is expanded to include petroleum coke.

Also, effective September 2, 2009, the list of non-energy uses of fuel is expanded to include fuel used as an anti-freeze in a natural gas pipeline.

Carbon tax rates

Effective January 1, 2010, the rates for gasoline and light fuel oil will be reduced by 5% in recognition of the 5% renewable fuel standards. As well, gas liquids and pentanes plus are added as fuel types with their own tax rates.

For information on tax rates including these new fuel types, please see the schedule, [Carbon Tax Rates by Fuel Type – From January 1, 2010](#).

Air services

Retroactive to July 1, 2008, the provisions related to interjurisdictional commercial air services are amended to clarify that:

- an exemption from tax is available to a person who provides air services **other** than the transportation of passengers or goods for a fee; for example, aerial surveying, photography, spraying and flight schools may now qualify for the exemption if they meet the requirements. As this provision is retroactive to July 1, 2008, persons who used fuel to provide interjurisdictional services other than transportation may claim a refund of the tax paid on that fuel, and

- to qualify as an interjurisdictional air service, the commercial air service must not have any flights that connect two locations in British Columbia.

Effective September 2, 2009, the director may issue a registered air certificate to a person who applies for a certificate and:

- who owns or operates a commercial air service that provides air services other than the transportation of passengers or goods to members of the public for a fee, and
- during the fiscal year that ends immediately before the date of application, at least 50% of the fuel used by that person was used in flights that did not begin or end in British Columbia.

Marine services

Retroactive to July 1, 2008, the provisions related to commercial marine services are amended to clarify eligibility for:

- a registered marine service certificate,
- refunds of tax paid for fuel used to provide interjurisdictional marine transport of passengers, goods, or both, and
- refunds of tax paid for fuel used to provide interjurisdictional marine services on that ship.

Due date for annual tax returns

Effective September 2, 2009, the *Carbon Tax Act* is amended to clarify that all annual tax returns are due in July.

Motor Fuel Tax

Renewable Fuels

Effective January 1, 2010, ethanol and biodiesel are no longer exempt from tax under the *Motor Fuel Tax Act* as a result of the coming into force of the renewable fuel standard under the *Greenhouse Gas Reduction (Renewable and Low Carbon Fuel Requirements) Act*. Motor fuel tax will apply to ethanol and renewable diesel fuel at the same rate as the fuel with which it is blended. Motor fuel tax will apply to 100% ethanol at the same rate as clear gasoline, and to 100% renewable diesel fuel at the same rate as motive fuel (clear diesel). Renewable diesel fuel includes both biodiesel and hydrogenated-derived renewable diesel fuel.

For more information, please see the [Renewable Fuels Notice – Motor Fuel Tax](#).

Sales of fuel between certain collectors

The *Motor Fuel Tax Act* is being amended to clarify the requirements for the exemption from the payment of security on sales between collectors who both own and operate crude oil refineries in Canada.

A new class of collector called a **refiner collector** is introduced. If a collector wishes to sell fuel exempt of security to another collector in British Columbia, both must be appointed refiner collectors by the director for the same type, or subcategory of a type, of fuel.

On application, the director may:

- determine if the applicant is suitable for the appointment, and
- appoint the collector if the collector, or one or more interrelated entities (entities that are within the same corporate family group), own and operate a crude oil refinery in Canada.

The director determines whether an entity is interrelated and may also require other terms and limitations which the refiner collector must satisfy.

The ministry will provide information on how a collector may apply to be a refiner collector in the near future.

Extension of truck-mounted dye injector program

The pilot program to permit colouring of fuel through the use of truck-mounted dye injectors is extended to October 2011.

Due date for annual tax returns

Effective September 2, 2009, the *Motor Fuel Tax Act* is amended to clarify that all annual tax returns are due in July.

Provincial Sales Tax (PST)

Leased tangible personal property that becomes real property

Effective September 2, 2009, there are specific new rules for leased tangible personal property that becomes part of real property.

If on, or after, September 1, 2009, leased tangible personal property is used so that it becomes part of real property during the term of the lease, the tangible personal property is considered to have been sold at a retail sale immediately before it becomes part of real property. The lessee is required to pay PST on the fair market value of the tangible personal property as of the date of the sale.

For more information, including how PST applies on leased tangible personal property that was used so that it became part of real property before September 1, 2009, please see [Bulletin SST 082](#), *Rentals and Leases of Tangible Personal Property*.

Income Taxes

Corporation Income Tax

Small business limit

Effective January 1, 2010, the small business limit is increased from the current \$400,000 to \$500,000.

For more information, please see the Business Limits webpage at www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/business_limit.htm

Training tax credits for employers

Effective July 1, 2009, the Basic Training Tax Credit for employers is increased from 10% of wages (up to \$2,000 per apprentice) to 20% of wages (up to \$4,000 per apprentice).

For more information, please see the Training Tax Credits webpage at www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/tax_credits/training.htm

Personal Income Tax

BC mining flow-through share tax credit

The expiry date for the BC mining flow-through share (BC MFTS) tax credit is extended to December 31, 2010.

For more information, please see the BC MFTS webpage at www.sbr.gov.bc.ca/individuals/Income_Taxes/Personal_Income_Tax/tax_credits/bc-mining_tax.htm

Basic personal, spousal and eligible dependant tax credits

Effective for 2010:

- the basic personal amount is increased to \$11,000,
- the spousal amount is increased to \$9,653 (reduced when spousal income exceeds \$965), and
- the eligible dependant amount is increased to \$9,653 (reduced when dependant income exceeds \$965).

For more information, please see the BC Non-Refundable Tax Credit Blocks webpage at www.sbr.gov.bc.ca/individuals/Income_Taxes/Personal_Income_Tax/non_refundable_credit-blocks/non_ref_taxcreditblock.htm

Further Information

For more information, please see our Budget website at www.sbr.gov.bc.ca/msbr/budget/budget.htm

PST / Motor Fuel Tax / Carbon Tax

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Income Tax

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