

Changes to Legislation Administered by the Ministry of Small Business and Revenue

On February 20, 2007, the Minister of Finance announced changes to the taxation legislation administered by the Ministry of Small Business and Revenue. This bulletin provides a summary of the changes.

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Consumer Tax

PST Review

Over the past year, the Ministry of Small Business and Revenue undertook a review of the social service tax, also called the provincial sales tax (PST), to develop revenue neutral options to simplify, streamline and enhance the fairness of the tax. Small business, industry and citizens were invited to make submissions in person at 20 consultation meetings held in various regions of the province or to send written submissions by mail, email or facsimile. As a result of this review, the following changes are made to reduce the compliance burden for business and make it easier to do business in the province.

Please see the PST Review website at www.sbr.gov.bc.ca/pstreview/index.htm for more detailed information.

Tax Remittances

Extension of remittance date

Effective April 1, 2007, under the *Social Service Tax Act* and the *Hotel Room Tax Act*, the due date for remitting tax returns and payments is extended from the 15th day to the 23rd day after the last day of the reporting period. For example, tax collected or payable in March 2007 is due on or before April 23rd. This responds to complaints from businesses of all sizes that the current remittance period of 15 days is too short, and imposes an unnecessary administrative burden on business.

Clarification of due date

Effective April 1, 2007, the *Social Service Tax Act* and *Hotel Room Tax Act* are amended to clarify that tax returns and payments are considered remitted on time if they are received by the province on the due date. For tax returns and payments sent by mail, courier or electronic means, the business must allow sufficient time for the return and payment to be received by the province on the 23rd of the month. This is a change from the return or payment being considered on time as long as the payment was sent on or before the due date. If the tax return and payment is made at a financial institution, the payment must be dated on or before the 23rd. Remittances delivered in person to a ministry or a Service BC-Government Agent office must be received by that office on or before the 23rd. This clarification will provide consistent, streamlined rules for taxpayers and administrative efficiencies for government.

Tax return reporting frequency

Effective February 21, 2007, under the *Social Service Tax Act* and the *Hotel Room Tax Act*, the threshold for filing tax returns less frequently is increased. Businesses with annual tax remittances of \$12,000 or less may qualify for quarterly, semi-annual or annual reporting frequencies, depending on the amount of tax remitted, the nature of the business and compliance history.

- Businesses remitting \$3,000 or less in tax annually may be eligible to file tax returns and payments quarterly, semi-annually or annually.
- Businesses remitting from \$3,001 to \$6,000 in tax annually may be eligible to file tax returns and payments quarterly or semi-annually.
- Businesses remitting from \$6,001 to \$12,000 in tax annually may be eligible to file tax returns and payments quarterly or monthly.

In addition, businesses with special circumstances, such as seasonal operations, may be eligible for a customized filing frequency. Certain types of businesses, such as liquor vendors, are required to remit on a monthly basis. Businesses with poor compliance histories are unlikely to qualify for a reduction in their filing frequency.

The increase from the previous threshold of \$8,400 for less frequent remittances will provide greater flexibility for many small businesses to match their tax reporting frequency to their business needs. Businesses who are interested in changing their tax return reporting frequency should contact the ministry. More details on the filing frequency options and eligibility requirements are in the following notice: [*Notice to Vendors and Operators – Changes to Tax Remittances*](#).

Audits, Refunds and Record Keeping

Audit assessment period reduced

Effective February 21, 2007, under the *Social Service Tax Act*, *Hotel Room Tax Act*, *Motor Fuel Tax Act* and *Tobacco Tax Act*, audit assessment limitation periods are reduced from six years to four years. All tax assessments issued on or after February 21, 2007 will be limited to a maximum of four years, including assessments related to audits that began before February 21, 2007 but have not had a *Notice of Assessment* issued. The four year limitation period does not apply in cases of fraud, for which there is no limitation period. All businesses in the province, including over 100,000 businesses registered to collect tax, will benefit from this fairness initiative that reduces the impact of inadvertent errors and the amount of potential tax liabilities.

Refund limitation period reduced

Effective May 1, 2007, under the *Social Service Tax Act*, *Hotel Room Tax Act*, *Motor Fuel Tax Act* and *Tobacco Tax Act*, the limitation period for applying for a refund is reduced from six years to four years. All refund applications received on or by April 30, 2007 qualify for the six year limitation period. All refund applications received on or after May 1, 2007 will only be eligible for a refund of tax paid for a maximum of four years after the date on which tax was paid.

Applications for refunds of tax paid more than four years ago but within the current six year limitation period must be received by April 30, 2007 to have the refund claim considered. For example, if you have an outstanding refund claim relating to tax paid between May 1, 2001 and May 1, 2003, the refund claim must be received by April 30, 2007.

This change does not eliminate any rights to refunds of tax. It simply reduces the time in which a refund may be claimed, and maintains the consistency between audit and refund limitation periods.

Record retention period reduced

Effective February 21, 2007, under the *Social Service Tax Act*, *Hotel Room Tax Act*, *Motor Fuel Tax Act* and *Tobacco Tax Act*, record retention periods are reduced from seven years to five years. Businesses are now required to retain provincial sales, hotel room, motor fuel and tobacco tax related records for a period of at least five years instead of seven years. This change is a result of the reduction in the audit assessment period, and reduces the record keeping burden for over 100,000 businesses that collect and remit tax, as well as for other persons carrying on business in the province.

Audits of liquor licensees

Effective February 21, 2007, audit assessments of liquor licensees for variances between the amount of tax remitted on liquor sales and the amount of tax expected based on liquor purchases is reduced from a six year period to a maximum three year period. This measure enhances fairness for liquor licensees by providing tax treatment equivalent to other retailers with variances between their purchases and sales.

Audit sampling

Over the next year, the government will consult with the business community to develop proposals for modernized audit sampling techniques to enhance the objectivity and fairness of the audit process.

Registration and Collection Threshold

Effective February 21, 2007, persons who meet all the following requirements are not required to register as a vendor, or to collect and remit tax on their sales:

- have annual gross sales of \$10,000 or less from sales of all tangible personal property, other than liquor, motor vehicles (including snowmobiles and all-terrain vehicles), vessels (including personal watercraft), aircraft or parking rights,
- do not regularly make sales or leases from established commercial premises, and
- do not maintain established business premises.

Persons that meet the above requirements and who choose not to register:

- must pay tax on all items purchased for resale, including items used to make other items for sale,
- must keep records of their sales, and
- must not collect tax on their sales.

This \$10,000 threshold removes the responsibility of collecting and remitting tax from approximately 20,000 small home-based craft persons and non-profit organizations that only make infrequent sales.

For more information on the eligibility criteria, please see the following notice:

[*New Registration and Collection Threshold*](#)

Exemptions

Oil and gas exploration and development

Effective February 21, 2007, the PST exemption for production machinery and equipment used exclusively in the exploration for, discovery of, or development of petroleum or natural gas is expanded to include the following equipment:

- portable doghouses, winches, pickers, and boilers and steamers required for heating blowout preventers, but not including the automotive unit on which this equipment is transported, and
- parts of a pump truck, including pumps, tanks, lines, pipes, controls, manifolds, drop boxes, mixing hoppers, valves, engines and transmissions, but not the automotive unit on which the parts are transported.

This expansion clarifies that equipment used with a truck-mounted service rig is also exempt.

Oil and gas producers and processors

The oil and gas industry has raised concerns about the current definition of the term “well head” as it is used in the production machinery and equipment exemption. The government will consult with the oil and gas industry, and review the current interpretation of the term “well head” to ensure the tax application is clear.

Roadside tire services

Effective February 21, 2007, emergency roadside tire changing services for motor vehicles are exempt from PST. Previously, tire changing services were the only emergency roadside service subject to tax. As of February 21, 2007, tax exempt emergency roadside services include battery boosting, vehicle towing and roadside tire changing. Extending the exemption to tire changing eliminates a complexity for business.

Prescription drug samples

Effective February 21, 2007, prescription medications provided for promotional purposes by pharmaceutical companies to a physician, dentist or veterinarian are exempt from PST. Previously, prescription medications were only exempt when purchased by consumers. The extension of this exemption to samples of prescription medications enhances fairness by removing an anomaly under which samples of non-prescription medicines were exempt but samples of prescription medicines were not.

Farmer’s exemption

The current PST exemption for farmers is based on a prescribed list of approximately 300 items that are exempt when purchased by farmers. The list is difficult to interpret and apply for both farmers and retailers, and places retailers at risk of tax assessments for inadvertent errors. To simplify and streamline the tax application for both farmers and retailers, over the next year consultations will take place with the farming industry.

Special registration permits

In consultation with industry, a special registration permit system will be designed to replace the exemption form currently used by businesses eligible for the production machinery and equipment exemption. This special registration permit system will also replace the refund system on purchases of goods for use out of province. The special permits will reduce the administrative burden for many retailers and businesses.

Work-related safety equipment

There is currently a PST exemption for work-related safety equipment designed to be worn by a worker. The parameters of this exemption are difficult to interpret and apply for retailers, businesses and individual workers. The government recognizes the importance of work safety and will be consulting with industry over the next year to develop proposals for simplifying and clarifying this exemption.

Catalysts and direct agents

As a result of the PST Review, a recommendation was made to change the PST exemption for catalysts and direct agents used in a chemical reaction for the manufacture or transformation of a product for sale or lease. The recommendation was to expand the exemption to all substances used in the production process that are integral to the production (transformation of materials into products for sale or lease), even if they do not come into direct contact with the materials being manufactured.

In January 2007, a decision of the British Columbia Court of Appeal effectively broadened the exemption for catalysts and direct agents from the previous interpretation. While the result is not identical to the recommendation arising from the PST Review, it does expand the exemption.

Rather than implement the recommendation for catalysts and direct agents, The government will administer the exemption in accordance with the Court of Appeal's interpretation. The government is currently analyzing the Court's decision to determine how the exemption will be administered. More information will be posted on the ministry website as it becomes available.

Clarifying and Streamlining Tax Applications

Bare leases and lease with operator

Effective February 21, 2007, the application of tax to equipment acquired for lease and occasionally supplied with an operator is simplified. Under the new provisions, businesses that occasionally use equipment from their lease inventory under an agreement to supply the equipment with an operator will only be required to pay tax on the normal lease price of that equipment. The equipment must be in and remain part of the regular lease inventory in the accounting records of the business. If the equipment was previously fully tax paid, no additional tax is required.

Previously, when equipment normally rented without an operator was used for a rental with an operator supplied, the lessor was required to pay tax on the full

depreciated cost of that equipment at that time. This change eliminates the need for such businesses to maintain two separate inventories.

Real property improvements

Distinguishing between tangible personal property and real property improvements is one of the most difficult and complex areas of the *Social Service Tax Act*. Current tax applications create uncertainty for the construction industry and for businesses that repair machinery and equipment that is attached to real property, such as air conditioners and refrigeration units. Over the next year, the government will consult with these industries to develop proposals for reducing the current complexity of this tax application.

Transfer of business assets for partnerships

The current application of PST to asset transfers to and from partnerships, and to transfers of partnership interests leads to uncertainty, as there are no provisions in the *Social Service Tax Act* that specifically address these situations. Over the next year, the government will consult with the business community to develop proposals to bring greater certainty to the application of tax, and to propose clear legislative guidelines to bring clarity to the Act.

Trusts and amalgamations

Over the next year, the government will undertake consultations to develop public information providing clear guidelines on the application of PST to asset transfers involving trusts or amalgamations. This information will simplify tax applications by providing greater certainty.

Social Service Tax (PST)

Agricultural feeds exemption clarified

Effective February 21, 2007, the *Social Service Tax Act* is amended to clarify that grain, mill and other agricultural feeds and seeds are exempt when purchased and used solely for an agricultural purpose.

Feeds for animals that are raised ordinarily as food for human consumption or for animals that are sold in the regular course of business continue to be exempt.

Energy efficient residential heating equipment exemption extended

Effective February 21, 2007, the exemption on the purchase or lease of home heating equipment listed as being ENERGY STAR® Qualified by the Office of Energy Efficiency, Natural Resources Canada, is extended as follows:

- gas-fired forced-air furnaces will remain eligible for the exemption if purchased before January 1, 2008, and

- boilers, air-source heat pumps and ground-source heat pumps will remain eligible for the exemption if purchased before April 1, 2009.

In addition, oil-fired forced-air furnaces listed as being ENERGY STAR® Qualified are eligible for an exemption if purchased or leased on or after February 21, 2007 and before April 1, 2009.

Oil-fired forced-air furnaces that have a Seasonal Energy Utilization Efficiency (SEUE) rating of at least 85%, but may not be ENERGY STAR® Qualified, will remain eligible for the exemption if purchased before April 1, 2007.

ENERGY STAR® Qualified windows, doors (including side panels), and skylights exemption

Effective February 21, 2007, the exemption for storm windows and storm doors, multi-glazed windows, doors containing multi-glazed windows, and glass and other materials purchased by a vendor to make multi-glazed windows is restructured. The exemption applies only to pre-manufactured windows, doors (including side panels), and skylights that are listed as being ENERGY STAR® Qualified by the Office of Energy Efficiency, Natural Resources Canada, and are purchased on or after February 21, 2007 and before April 1, 2009.

Hybrid electric vehicles exemption extended

The existing tax relief for new qualifying hybrid electric passenger vehicles is extended to March 31, 2011. All new qualifying hybrid electric passenger vehicles purchased or leased on or after February 16, 2005 and before April 1, 2011 are eligible for a 100% point of sale tax reduction to a maximum of \$2,000. For more information, including information related to hybrid electric vehicles purchased prior to February 16, 2005, please see [Bulletin SST 085](#), *Alternative Fuel Vehicles and Alternative Motor Fuel Tax Concessions*.

Medical equipment refund for purchases by eligible charities and health care auxiliaries

Registered charities and members of the *British Columbia Association of Health-Care Auxiliaries* qualify for a refund of tax paid on purchases of medical equipment made on or after February 21, 2007.

The equipment must be used by a health facility to treat patients or diagnose ailments and must be purchased with funds of the charity or health care auxiliary. The amount of the refund is based on the proportion of the cost of the equipment that was paid with funds of the charity or health care auxiliary.

After consultations with health authorities, the *British Columbia Association of Health-Care Auxiliaries* and hospital foundations, regulations will be passed that will set out the procedures, documentation and requirements for refund applications. At that time, the ministry will provide detailed instructions on the ministry website for claiming the refund.

Motor vehicle manufacturers' rebates concession

The value of a manufacturer's rebate is excluded from the taxable purchase price of a motor vehicle if the manufacturer provides the rebate to the seller (dealer) of the vehicle as a condition of the sale.

This concession ensures that the person who purchases that vehicle does not pay tax on the amount of the rebate and only pays tax on the amount that he or she actually pays for the motor vehicle.

Motor Fuel Tax

Biodiesel fuel exemption

Effective February 21, 2007, the exemption for biodiesel fuel is expanded to include the biodiesel portion of any blend of biodiesel fuel and diesel fuel, as well as pure biodiesel (B100) fuel. Previously, the biodiesel exemption only applied to the biodiesel portion of a blend of biodiesel and diesel if the biodiesel portion was between 5 and 50% of the blend.

Propane used by farmers

Effective February 21, 2007, farmers may purchase propane for use in all farm machinery and equipment tax exempt. To qualify, the machinery and equipment must be operated on farm land and for a farm purpose.

Farmers may also purchase exempt propane for use in farm tractors and family farm trucks when operated on-highway for farm purposes. To qualify, the family farm truck must display a family farm truck emblem issued for that truck.

For more information, please see [Bulletin SST 111](#), *Propane*.

Income Tax

Income Tax

Personal income tax rates reduced

The four lowest tax bracket rates are reduced by about 5% for the 2007 tax year and by about 10% for the 2008 and subsequent tax years. The phase out rate for

the BC Tax Reduction credit is reduced from 3.6% to 3.4% for 2007 and to 3.2% for 2008 and subsequent tax years.

The following table shows British Columbia's personal income tax brackets and corresponding rates for 2007 and 2008.

Taxable Income Range* 2007	Tax Rates 2007 - Current	Tax Rates 2007 - Revised	Tax Rates* 2008
0 to \$34,397	6.05%	5.70%	5.35%
\$34,397.01 to \$68,794	9.15%	8.65%	8.15%
\$68,794.01 to \$78,984	11.70%	11.10%	10.50%
\$78,984.01 to \$95,909	13.70%	13.00%	12.29%
above \$95,909	14.70%	14.70%	14.70%

* The 2008 income tax rates will apply to the 2008 taxable income ranges, which will be indexed for inflation.

The tax rate changes will mean a personal income tax cut of at least 10% for all taxpayers with taxable income up to \$100,000.

The following table shows the impact of the tax cuts on British Columbia personal income taxes payable for a single individual with wage income and claiming basic credits only.

Taxable Income	2007 BC tax before tax cuts	2007 Reduction in tax	2008 Reduction in tax	Percentage reduction in 2008
\$20,000	\$338	\$41	\$82	-24%
\$40,000	\$1,895	\$109	\$216	-11%
\$60,000	\$3,714	\$208	\$415	-11%
\$80,000	\$5,849	\$319	\$639	-11%
\$100,000	\$8,630	\$430	\$864	-10%
\$120,000	\$11,570	\$430	\$864	-7%

The 2007 personal income tax source deduction withholdings will be adjusted effective July 1, 2007.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/itapit/itapit.htm

Adoption Expense Credit

Effective for 2007 and subsequent years, the province is providing a non-refundable Adoption Expense Credit. The credit is harmonized with the federal adoption expense credit. The maximum adoption expense that can be claimed is \$10,445 for 2007, which increases by the national inflation rate in each subsequent year.

Book Publishing Tax Credit

The Book Publishing tax credit program provides a refundable tax credit to book publishing corporations that carry out their business primarily in British Columbia. The credit is calculated as 90% of the Aid to Publishers component of the federal Book Publishing Industry Development Program. The expiry date for the credit is extended by five years to April 1, 2012 from April 1, 2007.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/bptc/bptc.htm

Dividend Tax Credit

As previously announced, individuals may claim an enhanced dividend tax credit of 12% effective for 2006 and subsequent tax years.

Under the new enhanced dividend tax credit mechanism for personal income tax:

- eligible dividends are determined under federal income tax rules;
- dividends are grossed up by 45% and added to taxable income;
- a new 12% enhanced dividend tax credit applies to the grossed up amount.

The existing British Columbia dividend tax credit of 5.1% is unchanged and will continue to apply to dividends that are subject to the existing federal gross up of 25%.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/itapit/minimum-credit.htm

Foreign Tax Credit

Effective 2007, taxpayers who are subject to alternative minimum tax will be eligible to claim a foreign tax credit.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/itapit/additions.htm

Mining Exploration Tax Credit

The Mining Exploration tax credit currently provides a 20% refundable credit for qualified mining exploration expenses made by eligible individuals (e.g. prospectors), corporations and active members of a partnership conducting grassroots mineral exploration in British Columbia. Effective for exploration expenses incurred after February 20, 2007, exploration undertaken in prescribed Mountain Pine Beetle affected areas will be eligible for an enhanced tax credit rate of 30% up from 20%. The expiry date for the enhanced tax credit rate is the same as for the existing credit, December 31, 2016.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/me/me.htm

Refundable Sales Tax Credit

Effective for 2006 and subsequent tax years, the federal Universal Child Care Benefit is excluded from the definition of income used for determining the Refundable Sales Tax Credit. The federal Universal Child Care Benefit is \$100 per month per child under the age of six. This change ensures that families do not receive a reduction in their Refundable Sales Tax Credit due to the receipt of Universal Child Care Benefit payments during the year.

Royalty and Deemed Income Rebate

As announced in Budget 2006, the royalty and deemed income rebate is eliminated effective for tax years starting after 2006. The federal government has eliminated its resource allowance and, with the elimination of the British Columbia royalty and deemed income rebate, the federal and provincial income taxation of the resource sector is now harmonized.

Scientific Research and Experimental Development Tax Credit

The Scientific Research and Experimental Development (SR & ED) Tax Credit Program provides a 10% tax credit to qualifying corporations that carry on SR & ED in British Columbia. The expiry date for the tax credit program is extended by five years to September 1, 2014 from September 1, 2009.

The SR & ED tax credit is extended to allow qualifying corporations that are active members of partnerships to claim their proportionate share of the partnership's tax credit for SR & ED carried on in British Columbia.

The enhancement is effective for qualified expenditures incurred by a partnership after February 20, 2007 and before September 1, 2014.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/sred/sred.htm

Training Tax Credit

As previously announced, effective January 1, 2007, the Training Tax Credit provides refundable income tax credits for employers and employees who are engaged in apprenticeship programs administered through the Industry Training Authority (ITA).

The ITA oversees British Columbia's industry training and apprenticeship system, including the administration of Red Seal and British Columbia recognized (non-Red Seal) training programs.

There are three main elements to the training tax credits:

- basic credits for non-Red Seal training programs,
- completion credits for both Red Seal and non-Red Seal training programs, and
- enhanced credits for First Nations individuals and persons with disabilities.

The tax credits are available for individuals engaged in apprenticeship training and to their employers, including corporations, partnerships and sole proprietors.

These credits are claimed when filing the individual T1 or corporation T2 tax return and are refundable to the extent they exceed income tax payable.

For more information, please see our website at:

www.sbr.gov.bc.ca/itb/ttc/ttc.htm

Property Tax and Property Transfer Tax

Home Owner Grant

Increase in threshold for Home Owner Grant phase-out

As announced January 12, 2007, effective for the 2007 tax year, the threshold for the phase-out of the home owner grant is increased to \$950,000 of assessed value from \$780,000 of assessed value. This change ensures that more than 95% of

homeowners are eligible for the full grant. Without the threshold increase taxpayers would pay about \$14 million more in property taxes this year.

For properties valued above the threshold of \$950,000, the grant is reduced by \$5 for each \$1,000 of assessed value in excess of the threshold. The basic grant is eliminated for properties assessed at \$1,064,000 and above, and eliminated for those recipients of the additional grant, available to seniors, veterans, and the disabled, whose properties are assessed at \$1,119,000 and above.

Expansion of eligibility to low-income seniors and others

Effective for the 2007 tax year, the homeowner grant is provided to some low-income homeowners who, but for the high assessed value of their home, would receive the additional home owner grant. Key eligibility criteria for the supplement are that a homeowner:

- would qualify for the additional home owner grant amount (seniors, certain veterans and certain persons with disabilities), except that their home is assessed above the threshold, and
- meets low-income criteria.

This measure ensures that low-income seniors and other qualified individuals who own and reside in properties that have increased in value beyond the threshold but who may face financial hardship receive some or all of the homeowner grant.

The Ministry of Small Business and Revenue will administer the program and applications must be made directly to the ministry. Further details about the program and application forms will be available before property taxes for 2007 become due.

Property Tax Deferment

Extension of homeowner eligibility

Effective for the 2007 tax year, the age at which a homeowner may begin to defer the property taxes on their principal residence is lowered to 55 from 60 years of age. The Property Tax Deferment Program is a low interest loan program that enables qualifying British Columbia homeowners to defer the annual property taxes on their homes.

Property Transfer Tax

First Time Home Buyers' Program – Thresholds

Effective for registrations after February 20, 2007, the fair market value threshold for eligible residential property under the First Time Home Buyers' Program is

increased and will apply throughout the province. The new threshold will be \$375,000 which is increased from \$325,000 in the Capital Regional District, Fraser Valley Regional District and Greater Vancouver Regional District, and from \$265,000 in all other areas of the province. A proportional exemption is provided for eligible residences that have a fair market value of up to \$25,000 above the new threshold.

First Time Home Buyers' Program – Habitat for Humanity

Under the First Time Home Buyers' Program, eligible purchasers can claim an exemption from property transfer tax if the fair market value of the home is less than the threshold amount. Effective for registrations after February 20, 2007, families purchasing homes from British Columbia affiliates of Habitat for Humanity Canada (Habitat) will have greater access to the First Time Home Buyers' exemption. Persons who purchase homes from Habitat will be eligible for the exemption if the principle amount of the first mortgage registered against the property by Habitat is less than the threshold.

Rural Property Tax

Provincial rural property tax rates

A single provincial rural residential tax rate applies province wide. For the 2007 tax year, the average residential provincial rural area tax will increase by 2%, the 2006 provincial rate of inflation.

Non-residential provincial rural tax rates will be set so that the change in total non-residential rural area tax revenue will be limited to inflation plus new construction.

School Tax

Residential and non-residential school property tax rates

A separate residential tax rate is set for each school district according to the province's residential school tax rate formula, which has been used since 1991. The formula automatically reduces tax rates as the average property value rises. For 2007, the average residential school property tax payable before the home owner grant will increase by 2%, the 2006 provincial rate of inflation.

Residential school property tax rates will be set in April 2007 when revised assessment roll data are available. Non-residential school property tax rates will be set so that the change in total non-residential school property tax revenue will be limited to inflation plus new construction.

Exemption for wind power projects

Effective for the 2007 tax year, an exemption from school tax is provided for specified improvements of wind power projects. Wind power projects are power projects that use the wind to generate electricity. The exemption is available for the towers that support wind turbines and the foundations for those towers.

Similar tax relief was provided to eligible hydroelectric power projects in Budget 2005.

Miscellaneous

Mineral Tax

Extension of new mine allowance

The new mine allowance is extended to January 1, 2016. The allowance encourages new mine development in the province by effectively providing a deduction of 133.3% of capital costs for mines that commence production between December 31, 1994 and January 1, 2016. This deduction reduces the net revenue mineral tax payable by the mine.

Police Tax

As previously announced, the province will introduce a new funding model for policing costs. In 2007, taxpayers in municipalities with populations under 5,000 and in rural areas will pay up to 50% of the total annual provincial policing costs for these areas.



Need more info?

Consumer Tax

Telephone (Vancouver): 604 660-4524
Toll free in Canada: 1 877 388-4440
E-mail: CTBTaxQuestions@gov.bc.ca
Web: www.sbr.gov.bc.ca/ctb

Property Tax

Telephone (Victoria): 250 387-0555
Toll free: 1 800 663-7867 to Enquiry BC
E-mail: ruraltax@gov.bc.ca
Web: www.sbr.gov.bc.ca/rpt

Mineral Tax

Telephone (Victoria): 250 952-0192
Toll free: 1 800 663-7867 to Enquiry BC
Web: www.sbr.gov.bc.ca/mog

Income Tax

Telephone (Victoria): 250 387-3332
Toll free: 1 800 663-7867 to Enquiry BC
E-mail: ITBTaxQuestions@gov.bc.ca
Web: www.sbr.gov.bc.ca/itb

Property Transfer Tax

Telephone (Victoria): 250 387-0604
Toll free: 1 800 663-7867 to Enquiry BC
E-mail: PTTENQ@gov.bc.ca
Web: www.gov.bc.ca/rpt/ptt/ptt.htm

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The relevant Acts and Regulations are on our website at www.gov.bc.ca/sbr

References: Bill 2, *Budget Measures Implementation Act, 2007*
Bill 3, *Income Tax Amendment Act, 2007*