



TaxNewsFlash

Canada

Highlights of the 2024 British Columbia Budget

February 22, 2024

No. 2024-04

British Columbia's Finance Minister Katrine Conroy delivered the province's 2024 budget on February 22, 2024. The budget anticipates a deficit of \$5.9 billion for 2023-24 and projects deficits of \$7.9 billion for 2024-25 and \$7.8 billion for 2025-26. Although the budget does not include any new changes to the corporate or personal tax rates, it introduces a new home flipping tax for B.C. properties sold on or after January 1, 2025, and increases certain thresholds for the property transfer tax exemptions, among other changes.

Real estate tax changes

Home flipping tax introduced

The budget announces a new home flipping tax that will apply on the sale of residential real estate in British Columbia that was held for less than two years. Under this tax, a taxpayer who sells a residential property within 365 days of purchase will be subject to a 20% tax on income from the sale, with the tax rate declining to 0% between 366 and 730 days. The tax will apply to properties sold on or after January 1, 2025. This tax applies to all sellers regardless of whether they are a B.C. resident or a resident anywhere else in the world.

According to the budget, this new tax will apply to income from the sale of properties with a housing unit and properties zoned for residential use, as well as to income from the assignment of contracts to purchase these properties. However, the tax will not apply to land or portions of land used for non-residential purposes.

Under these rules, individuals selling their primary residence within two years of purchase can exclude a maximum of \$20,000 when calculating their B.C. taxable income. In addition, the budget notes that exemptions will be available for certain life circumstances including:

- Separation or divorce
- Death
- Disability or illness
- Relocation for work
- Involuntary job loss
- Change in household membership
- Personal safety
- Insolvency.

The budget notes that this is not an exhaustive list of the exemptions that will be included in this new tax, and British Columbia may also introduce exemptions for those that add to the housing supply or engage in construction or real estate development. More information on these exemptions and others will be provided in the future. British Columbia notes that it intends to introduce legislation to enact this measure in early spring 2024.

Property transfer tax exemption thresholds increased

The budget increases the threshold for the property transfer tax exemption for eligible first-time home buyers and for purchasers of qualifying newly built homes. These measures are effective April 1, 2024.

For first-time home buyers, the budget increases the threshold to a fair market value of \$835,000 (from \$500,000), with the first \$500,000 exempt from property transfer tax. A partial exemption may be available if the fair market value is more than \$835,000, but less than \$860,000, and the exemption is eliminated at \$860,000. As a result, qualifying properties with a fair market value under \$500,000 will be exempt from property transfer tax.

For purchasers of qualifying newly built homes, the budget increases the threshold on the purchase of a principal residence to a fair market value of \$1.1 million (from \$750,000). The phase-out range is \$50,000 above the threshold, with the complete elimination of the exemption at \$1.15 million for qualifying newly built homes.

General property transfer tax — Exemption for new purpose-built rental buildings

The budget exempts new qualifying purpose-built rental buildings from the general property transfer tax, effective for transactions that occur between January 1, 2025, and December

31, 2030. To qualify, the residential portion of the building must be entirely used for rental purposes, among other requirements.

Speculation and vacancy tax — Registered occupier

The budget provides that a person who possesses a residential property under a registered lease will be treated as the registered occupier of the property for the purpose of the speculation and vacancy tax, effective January 1, 2024. As a result, registered leaseholders who are not already required to declare in 2024 will have to declare for the first time in 2025, based on the use of the property in 2024.

Business tax changes

Corporate income tax rates

The budget does not announce changes to the province’s corporate tax rates. As a result, British Columbia’s corporate income tax rates remain as follows:

| Corporate Income Tax Rates — As of January 1, 2024 | | |
|---|-------------------------|--|
| | British Columbia | Combined Federal and British Columbia |
| General | 12% | 27% |
| M&P | 12% | 27% |
| Small business ¹ | 2% | 11% |

¹ On first \$500,000 of active business income.

Employer health tax exemption increased

The budget increases the employer health tax exemption threshold to \$1 million (from \$500,000). In addition, the budget increases the notch rate for remuneration above the new exemption threshold of \$1 million and below the full rate threshold of \$1.5 million to 5.850% (from 2.925%). These changes are effective January 1, 2024.

Animation productions excluded from regional and distant location tax credits

The budget provides that animation productions will no longer be eligible for the regional and distant location tax credits. The change applies for animation productions under either the Film Incentive B.C. tax credit or the production services tax credit with principal photography beginning on or after June 1, 2024.

Oil and gas exploration expenditures excluded from the mining exploration tax credit

The budget announces that oil and gas exploration expenditures will no longer qualify for the mining exploration tax credit, effective February 23, 2024, in line with similar federal changes.

Tax credit extensions

The budget extends the following business tax credits that were set to expire at the end of 2024:

- Training tax credit for employers — Extended to the end of 2027
- Training tax credit for individuals — Extended to the end of 2025
- Shipbuilding and ship repair industry tax credit — Extended to the end of 2026.

Personal tax changes

Personal income tax rates

The budget does not announce changes to personal tax rates. As a result, British Columbia's personal income tax rates effective January 1, 2024 are as follows:

| Personal Combined Federal/B.C. Top Marginal Rates | |
|--|-------------|
| | 2024 |
| Interest and regular income | 53.50% |
| Capital gains | 26.75% |
| Eligible dividends | 36.54% |
| Non-eligible dividends | 48.89% |

B.C. Family Benefit bonus

The budget temporarily enhances the B.C. Family Benefit for the 2024/25 benefit year. Specifically, the budget provides a 25% increase to both the annual benefit amounts and the income thresholds used to determine eligibility for the B.C. Family Benefit, effective July 1, 2024. The annual benefit amounts and adjusted family net income will return to the previous levels following the end of the 12-month benefit period.

Climate action tax credit payment increase

The budget increases the maximum annual climate action tax credit payments, effective July 1, 2024. The payments will increase as follows, depending on the type of individual:

- Adult — Increase to \$504 (from \$447)
- Spouse or common-law partner — Increase to \$252 (from \$223.50)
- Child — Increase to \$126 (from \$111.50).

The budget further notes it will also increase the income thresholds, at which point the credit begins to be phased out, to \$41,071 (from \$39,115) for individuals and to \$57,288 (from \$50,170) for families.

Indirect tax changes

Biomethane credit refund

Effective April 1, 2024, the budget amends the calculation that qualifying retail dealers use to determine the biomethane credit. Under this change, the calculation will be based solely on the sum of the biomethane credits provided by the qualifying retail dealer in a reporting period.

Insurance premium tax on provincial agricultural insurance programs

The budget states that farmers will be exempt from insurance premium tax when paying premiums for provincial agricultural insurance programs offered by the Ministry of Agriculture and Food. This measure is effective on royal assent.

Provincial sales tax changes

The budget announces several changes to the Provincial Sales Tax (PST) rules, including to:

- Reduce the availability of PST refunds where a person acts as though they are the end purchaser of goods but are actually acquiring the goods for export and resale outside British Columbia, effective July 1, 2024
- Broaden significantly the definition of “software” for the purposes of the PST to legislatively overturn a recent court decision, effective retroactively to April 1, 2013
- Enable a PST refund to a person who purchases goods from a seller that was not required to collect PST, self-assesses and pays the PST, and subsequently returns the goods to the seller for a refund, effective on royal assent
- Clarify that projects that use sunlight, wind, tides, air, or water to manufacture clean energy qualify for the production machinery and equipment exemption, effective February 23, 2024
- Clarify the rules for when services are provided with taxable leased goods
- Expand the application of administrative penalties.

Other tax measures

Phase-in period for regulated rate changes

The budget provides B.C. Assessment with the authority to phase-in substantial assessment increases to five years (from three years) for certain linear properties (e.g., railway tracks, fibre optic cables, and electrical transmission lines).

Other technical measures

The budget also includes other certain technical and administrative changes, including clarifying amendments for previously announced measures.

We can help

Your KPMG adviser can help you assess the effect of the tax changes in this year's British Columbia budget on your personal finances or business affairs, and point out ways to realize any tax savings. We can also keep you abreast of the progress of these proposals as they make their way into law.

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