



# TaxNewsFlash

Canada

## Highlights of the 2025 British Columbia Budget

March 4, 2025

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British Columbia's Finance Minister delivered the province's 2025 budget on March 4, 2025. The budget anticipates a deficit of \$9.1 billion for 2024-25 and projects deficits of \$10.9 billion for 2025-26 and \$10.2 billion for 2026-27. Although the budget does not include any new changes to the corporate or personal tax rates, it increases the speculation and vacancy tax rates, effective January 1, 2026 and makes changes to film-related tax credits. The budget also discusses the province's response to the implementation of U.S. tariffs and Canadian counter-tariffs, including to support industry and workers, diversify trade markets and respond with counter-actions as required.

### **Real estate tax changes**

#### *Speculation and vacancy tax*

The budget increases the Speculation and Vacancy Tax rates, effective January 1, 2026. The rate will increase as follows:

- Canadian citizens and permanent residents who are not untaxed worldwide earners, as well as others currently taxable at 0.5% — Increase to 1%
- Foreign owners and untaxed worldwide earners, as well as certain others currently taxable at 2% — Increase to 3%.

The budget also excludes the Predator Ridge resort in the City of Vernon from the specified area for the Speculation and Vacancy Tax, effective retroactively to January 1, 2024.

In addition, the budget increases the non-refundable speculation and vacancy tax credit for residents of British Columbia to \$4,000 (from \$2,000).

### *B.C. Property Transfer Tax*

The budget makes changes to ensure that transfers of legal ownership of a property to certain First Nations are exempt from property transfer tax where the property is already beneficially owned by the First Nation, effective May 21, 2024 (the exemption only applies to land beneficially owned by the First Nation prior to May 21, 2024).

#### **KPMG observations**

Notably, the budget did not propose other changes to the assessment of B.C. Property Transfer Tax, even though there was some speculation that B.C. would assess such tax on the transfer of beneficial ownership changes (and not legal ownership changes).

### **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:

<b>Corporate Income Tax Rates — As of January 1, 2025</b>		
	<b>British Columbia</b>	<b>Combined Federal and British Columbia</b>
General	12%	27%
M&P	12%	27%
Small business <sup>1</sup>	2%	11%

<sup>1</sup> On first \$500,000 of active business income.

#### *Film, animation and digital media tax credits*

The budget announces a new Major Production Tax Credit available to production services tax credit claimants with B.C. production costs greater than \$200 million, effective January 1, 2025. This credit, which is available for productions with principal photography starting on or after January 1, 2025, is equal to 2% of a corporation's accredited qualified B.C. labour expenditures in respect of the major production. The credit will be available upon completion of the major production.

The budget expands the regional and distant location tax credits to allow animation productions with a brick-and-mortar presence in a regional or distant location to claim the supplemental credits, effective January 1, 2025. These productions will qualify for the tax credits as long as the productions meet certain conditions, including that the labour expenditures claimed are for workers who are physically present and working in a physical office located in the prescribed regional or distant locations at least 50% of the time. The change applies for animation productions under either the basic Film Incentive B.C. tax credit or the production services tax credit with principal photography starting on or after January 1, 2025.

The budget also:

- Increases the Interactive Digital Media Tax Credit to 25% (from 17.5%) for eligible salaries and wages paid in B.C. on or after September 1, 2025, and makes this credit permanent
- Increases the basic Film Incentive B.C. tax credit to 40% (from 35%), effective for productions with principal photography beginning on or after January 1, 2025
- Increases the basic production services tax credit to 36% (from 28%), effective for productions with principal photography beginning on or after January 1, 2025.

#### *Training Tax Credit for Apprentices*

The budget extends the training tax credit for individuals to the end of 2028 (from the end of 2025). The budget also amends the credit to provide that, effective April 1, 2025, those who are eligible for the enhanced credit for First Nations individuals or persons with a disability continue to receive the enhanced credit after the federal Apprenticeship Incentive Grant expires on March 31, 2025. The amount of the credit is tied to the amount received under the federal grant.

#### *Clean Buildings Tax Credit*

The budget extends the deadline for qualifying expenditures for the Clean Buildings Tax Credit to March 31, 2026 (from March 31, 2025).

#### *New mine allowance*

The budget extends the new mine allowance to the end of 2030 (from the end of 2025).

#### *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, 2025 are as follows:

<b>Personal Combined Federal/ British Columbia Top Marginal Rates</b>	
	<b>2025</b>
Interest and regular income	53.50%
Capital gains	26.75% <sup>1</sup>
Eligible dividends	36.54%
Non-eligible dividends	48.89%

<sup>1</sup> The capital gains rate is based on the legislated ½ inclusion rate.

### *Small Business Venture Capital Tax Credit*

The budget increases the annual credit limit that an individual can claim for investments made on or after March 4, 2025 to \$300,000 (from \$120,000), effective for 2025 and subsequent taxation years.

### *B.C. Family Benefit*

The budget expands the B.C. Family Benefit to provide for payments for six months following a child's death, effective January 1, 2025. This amendment harmonizes with the federal change to the Canada Child Benefit.

### *Indirect tax changes*

#### *Exemption for Used Zero-Emission Vehicles Eliminated*

The budget eliminates the provincial sales tax exemption for used zero-emission vehicles, effective May 1, 2025. This exemption was originally scheduled to end in 2027.

### *Other technical measures*

The budget also includes other technical and administrative changes.

### *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.

in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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