

July 30, 2001

Ministry of Finance

**TAX CUT FACT SHEET**

**Personal Income Tax Cuts**

- On June 6, 2001, the new provincial government announced that British Columbia taxpayers would begin to benefit from a 25 per cent cut in provincial personal income tax. The cuts will be introduced in two stages, with most British Columbia taxpayers receiving the full cut in their provincial personal income taxes starting July 1, 2001. By January 2002, B.C. will have the lowest base personal income tax rate in Canada for the bottom two brackets.
- Personal income tax brackets have been cut as follows:

<b>British Columbia Personal Income Tax Brackets and Rates</b>				
		Tax rates		
		2001		2002
Tax bracket	Taxable income range*	Pre-July 1, 2001	July 1, 2001**	New**
1	\$1 to \$30,484	8.4%	7.3%	6.05%
2	\$30,484 to \$60,969	11.9%	10.5%	9.15%
3	\$60,969 to \$70,000	16.7%	13.7%	11.7%
4	\$70,000 to \$85,000	18.7%	15.7%	13.7%
5	Over \$85,000	19.7%	16.7%	14.7%

\*Brackets are indexed to provincial inflation.  
\*\*Rates are in effect from Jan. 1 to Dec. 31 of each year.

- The top marginal tax rate will be the second lowest in Canada by Jan. 2, 2002. The rate will drop from 48.7 per cent to 43.7 per cent. Without the cuts, the province would have had the highest rate.

**Business Tax Cuts**

- On July 30, 2001, government announced it would eliminate or reduce several business-related taxes to increase investment, revitalize industries like logging, mining and transportation, strengthen emerging sectors such as high-technology and break down other barriers to economic growth. These tax changes will inject \$248 million into the provincial economy this fiscal year.

- Effective July 31, production machinery and equipment purchased by eligible manufacturers and by businesses in the logging, mining, and energy sectors will be exempt from provincial sales tax. The exemption replaces a three per cent tax credit introduced last year and will save businesses \$87 million this fiscal year.
- The corporate capital tax on non-financial institutions will be phased out over two years. The rate will be cut in half from 0.3 per cent to 0.15 per cent on Sept. 1 and eliminated entirely on Sept. 1, 2002. The move will free up more than \$100 million – and leverage significant new investment in our province. It will also bring B.C. back in line with most of the developed world, where capital taxes are recognized as disincentives to growth.
- To make B.C.'s taxes more competitive, the general corporate income tax rate will fall by three full percentage points to 13.5 per cent on Jan. 1, 2002. The government will also strive to keep the rate competitive in the years ahead.
- To further encourage mineral exploration, British Columbia will introduce a new 20 per cent flow-through share tax credit. The provincial credit will be modelled on the 15 per cent federal credit introduced in October 2000 and will be in addition to the federal credit. Companies that don't use flow-through shares will still be able to use the existing mineral exploration tax credit.
- To strengthen the transportation sector, the domestic jet fuel tax rate will be reduced from five cents to two cents per litre on Aug. 1. The cut will bring B.C.'s domestic rate in line with the rate on international flights, and with the rates charged by our competitors. Government will also reduce the tax rate on aviation fuel from three cents a litre to two cents a litre.
- On July 31, the maximum sales tax rebates available for the purchase or lease of eligible factory manufactured alternative fuel vehicles and buses will increase to \$1,000 from \$500 for vehicles and to \$10,000 from \$5,000 for buses.
- The seven per cent tax on bunker fuel, used to run large ships, will end July 31. This will increase the likelihood that ships visiting British Columbia will refuel here, as well as help attract more cruise ship business.
- In addition, business and individuals will benefit from an increase in the passenger vehicle surtax threshold. Effective July 31, the threshold will be raised for the first time since 1994. Applying the surtax to vehicles costing over \$47,000 instead of \$32,000 will increase the purchasing power of individuals and businesses who need trucks, passenger vans and other vehicles.

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Contact: Ministry of Finance  
 Communications Branch  
 1 866 356-7241  
[www.gov.bc.ca/fin](http://www.gov.bc.ca/fin)

Information on consumption tax changes:  
 Consumer Taxation Branch  
 604 660-4524 or 1 877 388-4440  
[www.rev.gov.bc.ca/ctb](http://www.rev.gov.bc.ca/ctb)