

ECONOMIC AND FISCAL UPDATE 2001 **LEGISLATION SUMMARY**

TITLE OF BILL

Bill 4 ***Balanced Budget and Ministerial Accountability Act***

Sponsoring Minister

Honourable Gary Collins
Minister of Finance

Purpose

- This bill:
 - provides for salary holdbacks for Cabinet Ministers to help ensure the achievement of fiscal and other results, including the prohibition of annual deficits commencing with the 2004/05 fiscal year; and
 - repeals the *Balanced Budget Act*.

Summary of the Main Provisions

Government's Fiscal Accountability

- This *Act*:
 - re-establishes the prohibition against annual budget deficits commencing in 2004/05;
 - sets no limits on budgeted deficits until 2004/05, but does require that any budgeted deficit until 2004/05 not be exceeded;
 - requires that, in years when a surplus is budgeted, at least 50 per cent of that surplus be achieved.

Individual Ministerial Accountability

- This *Act* establishes accountability for all Ministers (including the Premier):
 - for expenses of the Consolidated Revenue Fund for which they are responsible (Ministry and other appropriations);
 - in the case of the Minister of Provincial Revenue, for achieving specified revenue targets; and
 - in the case of the Ministers without those responsibilities (i.e. Ministers of State) for achieving performance targets specified by Treasury Board.

Penalty for Non-Compliance

This *Act* establishes a salary holdback of 20 per cent for members of the Executive Council, which is divided between collective responsibility for achieving the government's bottom line objectives (10 per cent) and individual responsibility for achieving their fiscal or performance targets (10 per cent).

Other

This *Act* repeals the existing *Balanced Budget Act* when the new *Act* is passed; the other provisions of the new *Act* take effect April 1, 2002.

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TITLE OF BILL

Bill 5 ***Budget Transparency and Accountability Amendment Act***

Sponsoring Minister

Honourable Gary Collins
Minister of Finance

Purpose

- This bill:
 - makes amendments to the *BTAA* and the *Financial Administration Act (FAA)* regarding the overall government accountability framework.
 - repeals the *Environment and Sustainability Statutes Amendment Act (ESSAA)*, 2001 (which consisted of several amendments to the *Auditor General Act* and the *Budget Transparency and Accountability Act [BTAA]*); and

Summary of the Main Provisions

Key Provisions for the Accountability Framework

- the elimination of special warrants (which provide funding without prior legislative approval) for all but (i) natural disasters, and (ii) the period surrounding an election;
- the adoption of generally accepted accounting principles (GAAP) as the mandatory basis for government accounting policies, and the establishment of an accounting advisory committee to advise on the implementation of GAAP;
- the disclosure of all material assumptions and policy decisions underlying the three-year fiscal projections in the budget;
- the establishment of a fixed budget date (the third Tuesday in February) which can only be delayed in the case of an election; and the advancement, by a month and a half, of the legislature's pre-budget public consultation process to reflect the earlier budget date;
- the addition, in service plans and reports, of a signature by the responsible Minister, indicating personal accountability for the plan and the results;
- changes to the date when ministry and Crown entity service plans are to be filed, from April 30 to budget day, to provide a closer link between government's fiscal plans with what is to be accomplished by the budget;
- the suspension, until the 2002/03 budget, of the requirement for a government strategic plan and for ministry and Crown service plans.

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LEGISLATION SUMMARY

TITLE OF BILL

Bill 2 – Taxation Statutes Amendment Act 2001

Sponsoring Minister

Honourable Gary Collins
Minister of Finance

Purpose

This bill amends 4 statutes to implement the government's tax cut initiatives: the Income Tax Act, the Corporation Capital Tax Act, the Social Service Tax Act and the Motor Fuel Tax Act.

Summary of Main Taxation Provisions

Income Tax Act

- This Act is amended to:
 - implement the 25 percent personal tax cut announced on June 6, 2001;
 - reduce the general corporate income tax rate to 13.5 percent from the current 16.5 percent rate, effective January 1, 2002;
 - introduce a new BC Mining Flow-through Share Tax Credit;
 - limit the Manufacturing and Processing Investment Tax Credit to property acquired before July 31, 2001

Corporation Capital Tax Act

- This Act is amended to:
 - phase out the tax on non-financial corporations by reducing the tax rate to 0.15 percent effective September 1, 2001 and eliminating the tax on September 1, 2002.

Social Service Tax Act

- This Act is amended to:
 - provide an exemption for purchases/leases of eligible production machinery and equipment by eligible manufacturers and persons regularly engaged for commercial purposes in:
 - logging;
 - the exploration for and development of coal and mineral mines; and
 - the exploration for, discovery and development of, oil and natural gas.
 - increase the price threshold at which the surtax on expensive vehicles applies from \$32,000 to \$47,000.
- A regulation under the Act is amended to increase the maximum rebate of tax for the purchase or lease of eligible factory manufactured alternative fuel vehicles from \$500 to \$1,000 for alternative fuel passenger vehicles, and from \$5,000 to \$10,000 for alternative fuel buses.

Motor Fuel Tax Act

- This Act is amended to:
 - reduce the domestic jet fuel tax rate to 2 cents per litre from the current rate of 5 cents per litre;
 - lower the aviation fuel tax rate to 2 cents per litre from 3 cents per litre; and
 - eliminate the tax on marine bunker fuel.
- A regulation under the Act is added to introduce a tax exemption for PuriNox motor fuel, a new cleaner-burning diesel/water emulsion that is an alternative to conventional diesel fuel.