



BRITISH
COLUMBIA

Ministry of Finance

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BALANCED BUDGET 2004 LEGISLATION SUMMARY

Bill 5 — Budget Measures Implementation Act, 2004

Balanced Budget and Ministerial Accountability Act

- This Act is amended to:
 - remove the operating expenses for the BC Timber Sales Account from the Minister of Forests accountability for operating expenses. This amendment provides the Minister of Forests with more flexibility to incur additional operating expenses to generate additional revenue.

Budget Transparency and Accountability Act

- This Act is amended to:
 - allow the government to move to full compliance with generally accepted accounting principles (GAAP), and include schools, universities, colleges/institutes, health authorities and hospital societies (SUCH sector) in the government reporting entity.

Build BC Act

- This Act is amended to:
 - eliminate the special account no longer required.

Financial Administration Act

- This Act is amended to:
 - change vote recovery provisions to allow ministries to spend excess credits, recoveries and receipts without seeking approval from Treasury Board unless otherwise directed.
 - eliminate the Provincial Treasury Revenue Program Special Account, which is no longer required.

Special Accounts Appropriation and Control Act

- This Act is amended to:
 - establish the Provincial Home Acquisition Wind Up Special Account with a balance of \$15 million for the purpose of making expenditures for the winding up of the loan and financial assistance programs under the *Home Conversion and Leasehold Loan Act*, the *Home Mortgage Assistance Program Act*, the *Home Purchase Assistance Act*, the *Homeowner Interest Assistance Act* and the *Provincial Home Acquisition Act*, all of which are being repealed.

Medical and Health Care Services Special Account Act

- Repealed

Home Conversion and Leasehold Loan Act (and Supplement)

- Repealed

Home Mortgage Assistance Program Act

- Repealed

Home Purchase Assistance Act, (and Supplement)

- Repealed

Home Owner Interest Assistance Act (and Supplement)

- Repealed

Provincial Home Acquisition Act

- Repealed

Bill 6 — Taxation Statutes Amendment Act, 2004

Corporation Capital Tax Act

- This Act is amended to:
 - clarify that between 1993 and 2002 property must have been used directly for a listed purpose in order to qualify for a deduction from the tax base.

Income Tax Act

- This Act is amended to:
 - provide full pension, overseas employment and dividend tax credits to multi-jurisdictional taxpayers that are resident in BC.
 - extend the expiry date for the Scientific Research and Experimental Development Tax Credit for a further five years to 2009.

Insurance Premium Tax Act

- This Act is amended to:
 - harmonize tax of premiums paid to unlicensed insurers with the tax on premiums received by licensed insurance companies to ensure that BC residents are subject to the tax that applies to premiums related to risks located in the province.
 - improve the definition of taxpayer to ensure that BC residents are subject to the tax relating to their risks located in the province regardless of who actually enters into a contract to purchase insurance.

Motor Fuel Tax Act

- This Act is amended to:
 - expand the definition of family farm to include any corporate structure, provided that 75 per cent of the shareholders are direct family members actively engaged in farming and the corporation's sole activity is farming.
 - increase the maximum refund amount for fuel tax paid by persons with disabilities to \$500 from \$400.
 - provide the authority to implement, by regulation, a new tax scheme for low level blends of alternative motor fuels such as E10.

Home Owner Grant Act

- This Act is amended to:
 - increase the threshold for the home owner grant phase-out to \$585,000 from \$525,000.

Property Transfer Tax Act

- This Act is amended to:
 - expand the definition of family farm and extend the current exemptions for transfers of family farms to siblings and their spouses.
 - provide an exemption for certain transfers of a family farm by a trustee to a family farm corporation.
 - create a new exemption for transfers from related individuals to a minor when those transfers involve the province's Public Guardian and Trustee.

Community Charter

- This Act is amended to:
 - grandparent the tax exemption for improvements determined to be dust and particulate matter eliminators in the 2003 tax year.

Tobacco Tax Act

- This Act is amended to:
 - retroactively to December 20, 2003 increase the cigarette tax rate by 1.9 cents per cigarette (\$3.80 per carton) and the loose tobacco tax rate by 1.9 cents per gram.

Bill 7 — Social Service Tax Amendment Act, 2004

Social Service Tax Act

- This Act is amended to:
 - expand the exemption for software incorporated into other software for retail sale to include software acquired for the purpose of:
 - making copies of the software to incorporate into other tangible personal property for retail sale; and
 - making copies of the software and re-licensing it for retail sale.

- impose tax on gifts brought into the province by BC residents. Tax is imposed on the fair market value of all taxable goods brought into the province as gifts by residents where:
 - the donor of the gift is a BC resident; and
 - no tax was paid to BC or to another jurisdiction, other than Canada, by the donor at the time the gift was purchased.
- make the application of tax to new mobile and modular homes constitutionally valid by placing the liability to pay the tax on the final purchaser of the mobile or modular home.
- exclude interest charges from tax under conditional sale contracts if:
 - the charges are shown separately on the invoice or are billed separately to the purchaser; and
 - the charges are payable over the term of the contract.
- clarify that persons who bring containers into British Columbia to package or deliver their product for sale and which are capable of being returned and reused are subject to tax except in prescribed circumstances where the containers are not returnable.
- clarify that the application of tax, where taxable and non-taxable goods and/or services are sold for a single price (bundled purchase), will be limited to the fair market value of the taxable portion except that:
 - the taxable portion is exempt if it qualifies as an inexpensive package;
 - the otherwise taxable tangible personal property is not subject to tax if it is incidental to the purchase of a service that is not subject to tax under the Act (See Definition of “Sale”); and
 - the total purchase price is subject to tax if the single price is \$500 or less and the fair market value of the taxable portion is 90 per cent or more.
- clarify the definition of “Sale” where the provision of tangible personal property (TPP) is incidental to the provision of a service that is not subject to tax. In these circumstances, where the service and the TPP are sold for a single price, the TPP will not be taxable. Examples of where incidental TPP is provided in conjunction with a non-taxable service include:
 - drawings provided under architectural service contracts; and
 - original research reports provided under a contract for research services.
- expand and clarify the eligibility requirements for the newspaper sales tax exemption by reducing the percentage requirement for qualifying content to 20 per cent from 25 per cent.

Bill 8 — Ports Property Tax Act, 2004

Ports Property Tax Act

- This Act is established to:
 - provide authority for a regulation to designate eligible port properties.
 - provide a municipal tax rate restriction of \$27.50 per \$1,000 of assessed value on designated eligible port property for the 2004 through 2008 calendar years.
 - provide a 10-year municipal tax rate restriction of \$22.50 per \$1,000 of assessed value on new investment occurring on designated eligible port property. To be eligible for the rate restriction, the new investment must occur prior to the end of the 2008 calendar year.
 - correct a cross-referencing error between the *Community Charter* and the *Vancouver Charter* in order for the berth corridor exemption to apply to port terminals in the City of Vancouver.
 - provide authority for payments out of the consolidated revenue fund of \$4.5 million annually to port municipalities affected by the tax rate restrictions.