

## Technical Amendments to the Legislation Administered by the Revenue Programs Division

On April 26, 2004, the Minister of Finance announced a number of technical amendments to the taxation statutes administered by the Revenue Programs Division, Ministry of Provincial Revenue. This bulletin provides a summary of these changes. *Unless otherwise indicated, these amendments come into effect on the date of Royal Assent.*

Additional information on these amendments may be found on the Ministry of Provincial Revenue web site at [www.rev.gov.bc.ca](http://www.rev.gov.bc.ca) or by calling the telephone numbers provided at the end of this bulletin.

### **CONSUMER TAXES**

- *Directors' liability*

### **PROPERTY TAXES**

#### **Property Transfer Tax**

- *Fair market value of multiple lots straddled by a single improvement*
- *Residential buildings and improvements on multiple lots*

#### **Land Tax Deferment**

- *Update to definition of eligible property*
- *Coordination with property tax notices*
- *Only one owner needs to qualify*

### **MISCELLANEOUS**

- *Waiver of statutory limitation periods*

### **INCOME AND CORPORATE TAXES**

#### **Income Tax**

- *General anti-avoidance rule (GAAR)*
- *Mining exploration tax credit (METC)*
- *Limitation period for collecting tax debts increased*

#### **Corporation Capital Tax**

- *Reassessment period increased*
- *Series of transactions*

#### **Insurance Premium Tax**

- *Commercial marine insurance*
- *Information sharing agreements*

## CONSUMER TAXES

### DIRECTORS' LIABILITY

Directors' liability provisions are being introduced to British Columbia's consumer taxation statutes. These provisions, similar to those used by other provinces and by the federal government, make directors responsible for some tax debts of a corporation.

Directors and deemed directors who have not exercised reasonable care to ensure that a corporation collected tax, that all tax collected was remitted, and that all security is paid, may be held liable for the tax debts of the corporation.

A director will only be liable if:

- other remedies have been exhausted;
- the corporation is struck from the corporate registry; or
- the corporation is in proceedings under the *Bankruptcy and Insolvency Act (Canada)* or a similar act.

Directors who take reasonable steps (due diligence) to ensure that funds owed to the Province are collected and remitted will not be liable.

These amendments will take effect 6 months after receiving royal assent. The 6 month grace period will allow corporations and directors time to plan and to voluntarily disclose any existing tax debts.

**MORE INFO:** [Bulletin GEN 010, Directors' Liability](#)

## PROPERTY TAXES

### PROPERTY TRANSFER TAX

#### FAIR MARKET VALUE OF MULTIPLE LOTS STRADDLED BY A SINGLE IMPROVEMENT

Where a building or other improvement straddles multiple lots, the lots will be treated as a single lot for the purposes of calculating fair market value if:

- the lots are transferred in a single transaction; or
- the lots are transferred in multiple transactions to related individuals within a 6 month period.

#### RESIDENTIAL BUILDINGS AND IMPROVEMENTS ON MULTIPLE LOTS

Where a residential dwelling or other improvement straddles multiple lots, the lots are deemed to be one lot for the purposes of qualifying for both the

first time home buyers exemption and the principal residence exemption.

## LAND TAX DEFERMENT

### UPDATE TO DEFINITION OF ELIGIBLE PROPERTY

The definition of "eligible property" is updated to reflect the current practice that tax deferment is not permitted for farm, commercial, industrial or vacant property.

### COORDINATION WITH PROPERTY TAX NOTICES

The distribution deadline for statements of outstanding deferred tax is extended from April 30 until June 30 to enable coordination between the tax deferment notifications and the property tax notices.

### ONLY ONE OWNER NEEDS TO QUALIFY

The Act has been updated to reflect the administrative requirement that, where there are multiple owners of a property, only one owner needs to qualify for the deferment. This will not impact the distribution of deferment benefits.

## MISCELLANEOUS

### WAIVER OF STATUTORY LIMITATION PERIODS

The *Mineral Tax Act* and the *Insurance Premium Tax Act* have been amended to include waiver provisions.

A waiver, voluntarily filed by the taxpayer, extends the normal time limit for assessing or reassessing tax until outstanding issues are resolved.

Voluntary waivers can improve the accuracy of assessments by allowing taxpayers additional time to collect relevant information and to discuss their assessment with the ministry.

## INCOME AND CORPORATE TAXES

### INCOME TAX

#### GENERAL ANTI-AVOIDANCE RULE (GAAR)

The GAAR is amended to ensure that when a non-resident is subject to the GAAR, their income may be adjusted to deny the tax benefit received as a result of entering into an avoidance transaction.

**COMMENCEMENT:** January 1, 2000, retroactive to the extent necessary to give it effect on and after that date.

## **MINING EXPLORATION TAX CREDIT (METC)**

The definition of excluded expense in the Mining Exploration Tax Credit (METC) program is amended to clarify that expenses that qualify for the extended BC Mining Flow-Through Share tax credit do not also qualify for METC.

## **LIMITATION PERIOD FOR COLLECTING TAX DEBTS INCREASED**

In response to changes in the federal *Income Tax Act*, a 10 year limitation period for collecting income tax debts has been established. All amounts that became payable before March 4, 2004, and remain unpaid as of that date, are subject to a 10 year limitation period starting March 4, 2004.

## **CORPORATION CAPITAL TAX**

### **REASSESSMENT PERIOD INCREASED**

British Columbia can reassess a taxation year if another province or the federal government makes an adjustment that impacts tax payable under the *Corporation Capital Tax Act*. Reassessment can occur within one year of BC being notified of the adjustment, even if the reassessment is beyond the six year limitation period.

This amendment affects both general and financial corporations.

### **SERIES OF TRANSACTIONS**

The amendment provides a definition of "series of transactions" in the *Corporation Capital Tax Act* to harmonize with similar provisions in the federal *Income Tax Act*. The new definition ensures that any transactions undertaken in preparation of a series of planned transactions are considered part of the series for the purpose of the anti-avoidance provisions in the *Corporation Capital Tax Act*.

**COMMENCEMENT:** August 31, 2002, retroactive to the extent necessary to give it effect on and after that date.

## **INSURANCE PREMIUM TAX**

### **COMMERCIAL MARINE INSURANCE**

The Act has been amended to reflect the current practice that contracts of marine insurance, other than pleasure craft insurance, are not taxed.

**COMMENCEMENT:** April 1, 1998, retroactive to the extent necessary to give it effect on and after that date.

### **INFORMATION SHARING AGREEMENTS**

To increase the accuracy of assessments and to monitor the compliance of insurance companies, the Act has been amended to allow the Ministry of Provincial Revenue to enter an information-sharing agreement with the Financial Institutions Commission (FICOM).

Information exchanged under the agreement will allow the ministry to reconcile the insurance premiums reported for tax purposes with the amounts reported to FICOM.

### **NEED MORE INFO?**

**This bulletin is provided for convenience and guidance. If interpretation problems occur, please refer to the legislation.**

**Information is also on the Web at [www.rev.gov.bc.ca](http://www.rev.gov.bc.ca) While there, you can subscribe to our free electronic update service.**

**If you still have questions please call us at the following:**

**Consumer Taxes  
In Vancouver, call 604 660-4524.  
Elsewhere in Canada, call toll-free  
1 877 388-4440**

**Income and Corporate Taxes  
250 387-3332**

**Property Transfer Tax  
250 387-0604**

**Other Real Property Taxes  
250 387-0555**

**References:** Bill 34 *Provincial Revenue Statutes Amendment Act*, 2004.