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BC Budget 2009: The Highlights

The Deficit

BC's September 2009 budget forecasts a deficit much higher than the \$495 million deficit predicted in the province's February budget. The forecasted deficits over the next three years are \$2.8 billion in 2009/2010, \$1.7 billion in 2010/2011 and \$945 million in 2011/2012.

A balanced budget is not anticipated until 2013, and until then we should not expect to see the province making any significant payments towards its debts or increasing wages in the public sector

BC's Finance Minister, Colin Hansen, identifies three reasons for the deficit: 1) a decline in revenues derived from corporate tax and personal income tax; 2) weak commodity prices, resulting in decreased revenues from the resource sector; and 3) the need to maintain and enhance vital public services.

The province anticipates a loss of \$2 billion in revenue this fiscal year, citing unexpected costs arising from forest fires, protecting British Columbians in the current global economy, and the H1N1 flu virus. The province is predicting the economy shrinking by 2.9% in 2009.

Cuts to non-essential services are justified by the Minister by emphasizing the need to protect crucial services, such as healthcare.

Funding to health services is budgeted to increase by 18% over three years. This will be partially funded by the increase in Medical Service Plan rates of 6% which come into effect on January 1, 2010, with further fee increases to be expected.

Despite the red ink, certain incentives and stimulants have been provided for in the budget.

Small Business Tax

Effective January 1, 2010, the small business corporate

income tax threshold will increase to \$500,000 from \$400,000. Further, the province intends to eliminate the current small business corporate income tax rate of 2.5% by 2012.

General Corporate Tax

Future reductions to the general corporate income tax rate (currently at 11%) are planned, by reducing the rate to 10.5% in 2010 and to 10% in 2011.

Personal Income Tax

The basic personal income tax credit is increasing to \$11,000 from \$9,373 effective January 1, 2010.

HST

Minister Hansen spent some time addressing the Harmonized Sales Tax ("HST") issue in delivering the budget. This tax of 12% is to be introduced on July 1, 2010. Industries which were largely PST-exempt which will now be subject to HST include tourism and food services.

In delivering the budget, the Minister listed some HST rebates to be introduced, including a partial rebate of up to \$20,000 on new housing and rebates made available to charities and eligible non-profit organizations. No doubt the \$1.6 billion received from the federal government to facilitate the introduction of HST has helped to prevent BC from incurring an even larger deficit.

Into 2010

The province estimates \$4 billion in new business and partnerships as a result of the 2010 Olympic games and refers to the current budget as one to move BC out of the recession and best position the province for economic recovery.

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