
BUDGET LEGISLATION SUMMARIES

TITLE OF BILL:**Bill 2 — *Budget Measures Implementation Act, 2002*****SPONSORING MINISTER:**

Honourable Gary Collins
Minister of Finance

PURPOSE:

This bill amends nine statutes to implement non-tax initiatives announced in the 2002 provincial budget reports: *Emergency Program Act*, the *Financial Administration Act*, the *Fisheries Renewal Act*, the *Forest Renewal Act*, the *Grazing Enhancement Fund Special Account Act*, the *Industrial Development Incentive Act*, the *Natural Resource Community Fund Act*, the *Science and Technology Fund Act* and the *Small Business Development Act*.

SUMMARY OF MAIN PROVISIONS:***Emergency Program Act***

- section 16 (1) is amended to ensure expenditures from the statutory appropriation are limited to responding to imminent or actual emergencies or disasters.

Financial Administration Act

- as part of the restructuring of the capital planning process, section 56.1 (2) is amended to enable the Ministers of Education, Advanced Education and Health Services, or another Minister designated by the Lieutenant Governor in Council, to issue prepaid capital advances to their respective institutions (i.e., school districts, universities, colleges and institutes, health authorities);
- the current section 56.1 (2) provides that all prepaid capital advances are to be made by the Minister of Finance.

Fisheries Renewal Act

- repeals Act effective March 31, 2002;
- dissolves Fisheries Renewal BC (FishRBC) and rescinds appointments to FishRBC board;
- transfers all FishRBC assets to the government and deems references to FishRBC in documents to be references to the government;
- provides authority to pay any FishRBC debts or liabilities assumed by the government out of the Consolidated Revenue Fund; and
- removes provisions of the Act that require a business plan be prepared and presented to the Legislative Assembly for the 2002/03 fiscal year.

Forest Renewal Act

- repeals Act and Supplement effective March 31, 2002;
- dissolves Forest Renewal BC (FRBC) and rescinds appointments to the FRBC board;
- transfers all FRBC assets and liabilities to the government and deems references to FRBC in documents to be references to the government;

- removes provisions of the Act that require a business plan be prepared and presented to the Legislative Assembly for the 2002/03 fiscal year; and
- removes related consequential amendments to other Acts (e.g. *Forest Practices Code Act*)

Grazing Enhancement Fund Special Account Act

- legislation is repealed to dissolve the Grazing Enhancement Fund effective March 31, 2002.
- contributes to the government's commitment to eliminate business subsidies.

Industrial Development Incentive Act

- legislation is repealed to dissolve the Industrial Incentive Fund effective March 31, 2002;
- contributes to the government's commitment to eliminate business subsidies.

Natural Resource Community Fund Act

- legislation is repealed to dissolve the Natural Resource Community Service Fund (NRCF) effective March 31, 2002;
- the fund has been inactive for many years and is no longer needed.

Science and Technology Fund Act

- legislation is repealed to dissolve the Science and Technology Fund effective March 31, 2002;
- some activities funded under this Act are now funded from within the ministry;
- other activities have been eliminated.

Small Business Development Act

- legislation is repealed to dissolve the Small Business Incentive Fund effective March 31, 2002;
- contributes to the government's commitment to eliminate business subsidies.

TITLE OF BILL:

Bill 3 — Taxation Statutes Amendment Act, 2002

SPONSORING MINISTER:

Honourable Gary Collins
Minister of Finance

PURPOSE:

This bill amends four taxation statutes to implement tax initiatives announced in the 2002 provincial budget reports: the *Income Tax Act*, the *Motor Fuel Tax Act*, the *Social Service Tax Act*, and the *Tobacco Tax Act*. The bill also amends tax or royalty-related sections in three other statutes: the *Home Owner Grant Act*, the *Petroleum and Natural Gas Act* and the *School Act* for taxation purposes.

SUMMARY OF MAIN PROVISIONS:

Home Owner Grant Act

The Home Owner Grant for persons with disabilities, introduced in 1981, provides an additional \$275 annually (on top of the basic home owner grant) to homeowners with a permanent disability or who are living with a person with a permanent disability. The intent of the additional grant is to provide financial relief to persons who, due to a loss of mobility, are required to make costly modifications to their home or to pay for physical assistance to allow them to live independently:

- the legislation is amended to confirm the use of the supplementary form for the years 1997-2001 inclusive and to confirm the requirement that applicants incur substantial costs for physical assistance or structural modifications in the home;
- effective for 2002, regulatory changes are introduced to eliminate the supplementary form and replace it and the old Form B with a new simplified form. The homeowner rather than a physician, will verify that costs are incurred for physical assistance or structural modifications to the home;
- a regulation is introduced to ensure that homeowners who qualified for a grant in 2001 will qualify for the grant in 2002.

Income Tax Act

- this Act is amended to:
 - change tax adjustment rates for the overseas employment tax credit, alternative minimum tax and the credit for alternative minimum tax. The adjustment is consistent with recent reductions in federal and provincial personal income tax rates;
 - increase the personal income tax disability-related tax credits; and
 - increase the refundable sales tax credit by increasing the amount per adult to \$75 from \$50;
- Income eligible for the small business tax rate is increased to \$300,000 from \$200,000.

Motor Fuel Tax Act

- *TransLink* motor fuel tax rate is increased by two cents per litre, effective April 1, 2002. This reflects an agreement between the government and *TransLink* to facilitate the increase as long as *TransLink* raises an equivalent amount from other sources.

Petroleum and Natural Gas Act

- authority is provided to extend retroactively the eligibility period for acquisitions of land to which the Base 9 royalty rate for non conservation gas may be applied from December 31, 2001 to December 31, 2003;
- the Base 9 royalty is set at a minimum rate of 9 per cent, and the rate increases with the price of natural gas to a maximum of 27 per cent. The opportunity to acquire land subject to Base 9 royalties expired on December 31, 2001. Without the extension, natural gas production from land acquired after that date would be subject to Base 12 royalties — royalties that are set at a minimum rate of 12 per cent and increase with natural gas prices to a maximum of 27 per cent. At current natural gas prices, both Base 9 and Base 12 royalties are being paid at the maximum 27 per cent rate;
- authority to extend the eligibility period must be retroactive because January land sales have already occurred.

School Act

- this amendment allows the province to set different provincial residential school property tax rates for different parts of the same school district. This authority will only be used in limited situations where disparities in average values among communities in the same school district become extreme;

Social Service Tax Act

- effective February 20, 2002, the general sales tax rate is increased to 7.5 per cent from 7 per cent. Other tax rates under the *Social Service Tax Act* (liquor, vehicle surtax, and *TransLink's* parking tax) will remain unchanged. The multijurisdictional vehicle tax rates (tax paid in lieu of provincial sales tax on commercial vehicles that travel in more than one jurisdiction) will change on October 1, 2002 to reflect the general tax rate increase;
- effective July 1, 2002, the start of the school year, a refund is provided to parent advisory councils (PACs) and school boards for tax paid on goods purchased for schools with PAC-raised funds;
- a tax exemption is introduced for boats and travel trailers that are brought into the province by non-residents for non-commercial use, effective February 20, 2002;
- retroactive to January 1, 1996, the legislation is amended to allow multijurisdictional pick-up trucks and service vehicles that are licensed under a pro-rate agreement to qualify for the multijurisdictional vehicle tax;
- retroactive to March 31, 1998, an exemption is introduced for chemicals required to produce ammonium bisulfite in a pulp production process;
- retroactive to March 31, 1998, the legislation is amended to ensure that royalty payments and licence fees are taxable even if they are made in respect of goods that were purchased more than six years previously and, therefore, beyond the six year assessment period;
- effective June 1, 2002, authority is given to *TransLink* to set its parking tax rate at up to 21 per cent within the Greater Vancouver transportation service area. A binding Cost Sharing Agreement between the previous government and *TransLink* obligated the province to provide this authority.

Tobacco Tax Act

- effective February 20, 2002, the cigarette tax rate is increased by \$8 per carton of 200, or to 15 cents from 11 cents per cigarette. The fine-cut tobacco tax rate is increased by an equivalent amount to 15 cents from 11 cents per gram.

TITLE OF BILL:**Bill 4 — Corporation Capital Tax Amendment Act, 2002****SPONSORING MINISTER:**

Honourable Gary Collins
 Minister of Finance

PURPOSE:

This bill amends the *Corporation Capital Tax Act* to implement tax initiatives announced in the 2002 provincial budget reports.

SUMMARY OF MAIN PROVISIONS:**Corporation Capital Tax Act**

- the investment allowance currently available to credit unions is extended to banks and trust companies;
- the calculation of paid up capital for branches of foreign banks is adjusted to ensure that foreign banks are taxed in a manner that is equivalent to how domestic banks are taxed;
- the legislation is streamlined to remove all references to general corporations and special calculations previously required in respect of partnership interests.