



February 17, 2009

BACKGROUND

B.C.'S REVENUE NEUTRAL CARBON TAX

On July 1, 2008, British Columbia implemented North America's first revenue neutral carbon tax. B.C.'s carbon tax puts a price on pollution to encourage individuals, families and businesses to make more environmentally-responsible choices.

All revenue collected from the carbon tax is returned to British Columbians through tax reductions. The Revenue Neutral Carbon Tax Plan 2009/10 to 2011/12 estimates revenues from the carbon tax at \$2.27 billion over three years. Tax reductions are estimated at \$2.5 billion — \$1.25 billion in tax cuts for individuals and \$1.25 billion in tax cuts for business.

As part of this Plan, *Budget 2009* introduces the following new measures:

- Increase the low income climate action tax credit by 10 per cent to \$115.50 per adult and \$34.50 per child, effective July 1, 2011;
- Provide a Northern and Rural Homeowner benefit of up to \$200 beginning in 2011;
- Increase the Industrial Property Tax Credit to 60 per cent from 50 per cent beginning in 2011; and,
- Reduce school property taxes for farm land by 50 per cent beginning in 2011.

For 2008/09, carbon tax revenues are estimated at \$300 million. With the revenue neutral tax measures introduced with *Budget 2008* and the new and accelerated tax cuts from the October 2008 Economic Plan, individuals and businesses will receive a total of \$494 million in tax reductions — or \$194 million more than the revenue collected from the carbon tax.

B.C.'s carbon tax provides built-in protection for lower-income British Columbians through the low income climate action tax credit. As outlined in *Budget 2008*, effective July 1, 2009, the annual credit is increased to \$105 for adults and \$31.50 for children.

The carbon tax will increase to \$15 per tonne of associated carbon dioxide equivalent emissions, effective July 1, 2009. This will increase the taxes on a litre of gasoline by 1.17 cents and by 1.35 cents on a litre of diesel and home heating oil. Each year, the carbon tax will increase by \$5 per tonne, until it reaches \$30 per tonne in 2012.

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For the Finance Minister's speech and more details on *Budget 2009*, visit www.bcbudget.ca.

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