



MEDIA RELEASE

Wednesday February 20, 2019

BC's Second NDP budget gets a passing grade (B-) from Kelowna Chamber

Kelowna – Tuesday's provincial budget follows closely on the heels of the current government's first budget in 2018, building on the policy areas they have elevated as priorities over the past 12 months. Social issues are again at the fore. While the Kelowna Chamber supports affordability for all the province's residents, we, and other Chambers around the province, are striking a note of caution. We need to be sensible - \$5 billion in costs over the next three years is on the backs of business – and, there is a limit to how much can be underwritten by business in BC.

Good things include:

- Balanced budget
- Tackling affordability head-on
- Continued investments in housing
- Enhanced Child Opportunity Benefits, improving workplace flexibility
- CleanBC credits and incentives

Less good things include:

- No action to make the spec tax more fair
- Double-dipping on the Employer Health Tax & MSP premium payments for 2019
- No real action to incent business competitiveness, especially for small- and middle-sized enterprises

Concerns include:

- Climbing corporate tax rates – costs which are weighing down the backbone of BC's economy: now 27%

Chamber wins include:

- 'Mining Flow-through Share Tax Credit' becomes permanent (The BC Chamber advocated this)
- \$100 million earmarked to address infrastructure needs for 26 local governments along NW LNG corridor

Kelowna Chamber President Carmen Sparg, speaking at a Chamber Budget Recap Breakfast Wednesday morning, at which analysts from Crowe MacKay LLP dove a bit deeper into budget detail for members, said: "while many of the 2019 Budget tax initiatives are tied to laudable goals – like housing affordability and the BC Child Benefits – it's part of a trend to increase taxes on business. These tax increases on business will hinder their ability to invest and grow, and (ultimately) to hire more British Columbians. The government needs not only to see what's ahead, but also what is around the corner. Are storm clouds gathering?"

For more information: Carmen Sparg, Chamber President carmensparq@live.com

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Kelowna Chamber of Commerce BACKGROUND

Concerns of the BC business community include, but are not limited to:

1. While the provincial government further invests in affordability – including an enhanced BC Child Opportunity Benefit – business continues to face the cumulative effect of immense tax increases that will likely stall their ability to grow.
2. Employer Health Tax: Businesses are now officially footing the bill to the tune of \$1.9 billion – while still contributing to the MSP. The Employer Health Tax will cover the full phase-out of MSP premiums in 2020 and then some. This new tax will have a negative effect on growth and investment by businesses and employers paying the full cost, including some not-for-profit organizations. The government is overcharging in 2019 by \$600 million over what it requires, by its own 2018 Budget estimates.
3. With revenue neutrality for the Carbon Tax removed, industry will receive support to reduce GHG emissions, now renamed pollution taxes. Whether this will achieve neutrality is unclear.

Budget 2019 remains balanced, but revenues still fueled by large tax increases. especially to business:

	Updated Forecast 2018/19	Budget Estimate 2019/20	Plan 2020/21	Plan 2021/22
(\$ millions)				
Revenue	56,636	59,047	60,038	62,458
Expenses	(55,762)	(58,273)	(59,451)	(61,573)
Forecast allowance	(500)	(500)	(300)	(300)
Surplus	374	274	287	585

The provincial government continues to budget at a lower growth rate for the economy – compared to the Economic Forecast Council. This lower projected growth means the government budgets with reduced levels of revenue, which provides the government an added cushion to protect against unforeseen circumstances.

Economic Growth Projections

	2018	2019	2020	2021-23
Forecast Council	2.3	2.5	2.6	2.2
Ministry of Finance	2.2	2.4	2.3	2.0

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Building on the Housing Strategy

In 2018, the provincial government launched a housing investment strategy totalling \$7 billion over 10 years aimed at building affordable rental housing, providing supportive housing for vulnerable and at-risk homes for seniors, housing options for women and children fleeing violence and student housing.

Budget 2019 will provide an additional \$38 million in grants to housing providers that can be used to reduce ongoing borrowing costs in order to provide the range of affordable market rents. Budget 2019 lacks targeted action that can make market housing more affordable via streamlining development permits, optimizing the payment of Development Cost Charges and better outlining how Community Amenities Contributions can be utilized by municipalities.

Cost of Clean BC plan comes into focus

Budget 2019 invests \$679 million in funding to the Clean BC plan. The investment includes:

- \$10 million to offer more incentives for medium and heavy-duty vehicles from trucking, port and airport ground equipment, buses and marine vessels
- \$6 million to help industry adopt zero-emission vehicles
- \$3 million for a new heavy-duty vehicle efficiency program
- An additional \$41 million on top of the \$24 million in Budget 2018 for energy efficient incentives delivered to homes and businesses primarily in the form of credits – go to www.efficiency.bc.ca for more details
- \$168 million over 3 years to support large industrial emitters such as pulp and paper mills, natural gas operations and refineries and large mines

Other Notable Tax Credits and Initiatives

- \$3 million over three years for the Industry Training Authority to increase hands-on support for apprentices and employers. Training tax credit for apprenticeship extended to the end of 2019.
- \$57 million over three years to the Ministry of Tourism, Arts and Culture including \$39 million for the Resort Municipality Initiative and \$3 million to Destination BC to support marketing to global markets. It is unclear how much will go to the Okanagan region.
- Enhanced Small Business Venture Capital Tax Credit including advanced commercialization as an eligible activity for businesses outside the Metro Vancouver and Capital regional districts and the ability to engage in activities to scale up their business after 2 years in the program.

Competitiveness Concerns

The BC Chamber continues to raise warning flags over the cumulative effect of massive tax increases and the impact that has on the province's overall tax competitiveness. Since the Budget 2017 update, the chamber sees:

- Corporate tax rate going to 12% from 11%
- Carbon Tax increasing another \$5 per tonne in April 2019 on its way to \$50 per tonne by 2021.
- The removal of revenue neutrality that would see carbon tax increases shifted to other tax reductions.
- The first full year of the Employer Health Tax will see \$1.9 billion raised in 2019/20 at the same time MSP premium will be collected over this fiscal year (creating a 'double dip' on business).
- Speculation and vacancy tax continues in Kelowna – West Kelowna, the Lower Mainland, Capital Regional District, and Nanaimo

B.C.'s Debt Picture

The BC Chamber continues to focus on B.C.'s debt picture.

(\$ millions)	Updated	Budget		
	Forecast	Estimate	Plan	Plan
	2018/19	2019/20	2020/21	2021/22
Other Taxpayer Supported Debt	43,957	46,384	50,454	53,986
Direct Operating Debt	0.0	0.0	0.0	0.0
Total Taxpayer Supported Debt	43,957	46,384	50,454	53,986
Self-supported Debt	23,459	25,664	26,905	28,090
Provincial Debt before allowance	67,416	72,048	77,359	82,076
Forecast Allowance	500	500	300	300
Total Provincial Debt	67,916	72,548	77,659	82,376
Taxpayer Supported Debt to GDP	14.9	15.0	15.7	16.1
Taxpayer Supported Debt to Revenue	78.4	81.5	87.0	89.6

As per the above chart, Budget 2019 achieved the elimination of the operating debt paid as required in the balanced budget legislation passed during the previous government's tenure. The growth in Taxpayer supported Debt to Revenue is a concern, as it rises from 78.4% to 89.6% (11.2% increase) on its way to the 90% mark where a Triple A credit rating could be at risk.

Other Notes

Reporting on the Employer Health Tax

First installment is due May 15, 2019; companies or organizations must register with Tax BC. If no tax is due, registration and reporting is due December 31, 2019. Liability to pay installments, and definitions of "associated payrolls" mimic the Canada Tax Code. Higher thresholds of reporting payroll amounts apply to not-for-profit organizations.

PST on Short-term rentals

Number of rental units has been reduced from four to one requiring PST/MRDT payment. Definition of a "unit" is clarified in legislation.

About Kelowna Chamber of Commerce

The Kelowna Chamber of Commerce acts as a single powerful voice for our 1200 members and their 25,000+ employees to promote local business interests. The Chamber provides a cohesive business network for our members to expand their business contacts, enjoy value-added benefits, programs, and services aimed at improving their bottom lines. The Chamber's mission is to foster a positive business environment by providing our members with leadership, advocacy and services of value.

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