

## Notes on the BC Budget

On February 20, 2018, British Columbia's new Finance Minister Carole James presented the 2018 budget. *Budget 2018: Working for you* (the "Budget") remains a balanced budget with \$5.4 billion in new spending over 3 years. The additional spending and new programs are focused on childcare, senior healthcare, housing affordability, and education. The Budget also includes confirmation of the elimination of the MSP premium which will be funded by the revenues from a new employer health tax. This memo highlights a number of items that may be of interest to plan administrators, employers, and members.

### MSP/Employer Health Tax

The Budget will eliminate Medical Service Plan premiums on January 1, 2020.

Revenues from a new employer health tax will help fund this elimination. The new tax is expected to take effect on January 1, 2019 and is expected to bring \$463 million in revenue in 2018/19, increasing to \$1.9 billion in 2020/21.

### Possible Implications for Employers and Employees

Based on information from the Ministry of Health and Statistics Canada, approximately 40% of British Columbians are covered for MSP through a group plan. MSP benefits paid for by employers are taxable benefits to employees. Under the new arrangement, the health tax will not be a taxable benefit so employees will see a reduction in their taxable benefits.

Based on estimates provided by the government, MSP premiums generated approximately \$2.6 billion in revenue per year while the proposed tax will generate approximately \$1.9 billion in revenue. The government has set up a group to provide recommendations on ways to cover this shortfall. Recommendations are expected by the end of March 2018.

#### Employer Health Tax Based on Total Payroll

Total Payroll	Annual Employer Tax	Tax as Per Cent of Payroll
\$500,000 or less	\$0	0%
\$750,000	\$7,313	0.98%
\$1,000,000	\$14,625	1.46%
\$1,250,000	\$21,938	1.76%
\$1,500,000	\$29,250	1.95%
Over \$1,500,000	\$29,250 + 1.95% of payroll over 1.5 million	1.95%

The proposed employer health tax will be in line with similar taxes in Manitoba, Ontario, Quebec and Newfoundland. If approved, the tax legislation will include rules regarding the frequency of installment payments and will define how payroll amounts are to be aggregated among associated businesses prior to applying deductions and tax rates.

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## Health

The provincial government is adding over \$1.5 billion over the next three years to the Ministry of Health's budget, beyond what was provided in the previous budget.

### Fair PharmaCare

The Budget proposes to expand and enhance the Fair PharmaCare program. The net income threshold at which deductibles are introduced will be increased to \$30,000 from \$15,000 for Regular Assistance families. The "family maximum", the total out of pocket amount a family must pay each year, will be eliminated entirely for Regular Assistance families with incomes below \$13,750 and for Enhanced Assistance families (with a member born before 1940) with incomes below \$14,000.

These changes are to be implemented as of January 1, 2019 and the Ministry of Health estimates that an additional 84,000 families will benefit from these benefits compared to 2017.

### Seniors Care

A total of \$548 million over three years is provided to improve services for seniors including investments in primary care, home and community care, residential care, and assisted living. The new funding will allow for immediate investments in more specialized primary care services for seniors as well as community based services.

### Access to Primary Care

\$150 million over three years will be invested with the goal of expanding the coverage of primary care providers and the provision of team-based care to those who currently do not have a family doctor.

### Health Infrastructure

A budget of \$3.1 billion over three years has been allocated to support major construction projects and expanding and upgrading hospitals and other health facilities.

## Welfare

### Child Care

The 2018 Budget includes a \$1 billion investment in child care.

It will add a new child care benefit program with expanded eligibility and higher benefit rates starting in September 2018 and create a child care fee reduction program for licensed care starting on April 1, 2018.

The child care fee reduction program is expected to reduce full-time child care fees by the following amounts:

- Licensed Group Infant/Toddler care: \$350/month per space
- Licensed Family Infant/Toddler care: \$200/month per space
- Licensed Group care for ages 3 to 5: \$100/month per space
- Licensed Family care for ages 3 to 5: \$60/month per space

The investment will also go towards adding 22,000 new child care spaces and create programs to help support child care providers become licensed.

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## Taxes

### Property Transfer Taxes

The Budget increases the property transfer tax rate to 5 per cent from 3 per cent on the value of residential properties above \$3 million.

### Foreign Buyer Tax

The foreign buyer's property transfer tax increases from 15% to 20% and is expanded from Metro Vancouver to include five other regional districts.

### New Speculation Tax

The 2018 Budget introduces a speculation tax on residential properties at a rate of \$5 per \$1,000 of assessed value in 2018. This tax will increase to \$20 per \$1,000 of assessed value in 2019. This tax targets foreign and domestic home owners who do not pay income tax in BC. Upfront exemptions will be provided for principal residences and qualifying long-term rental properties.

### Fuel Tax

The Budget increases the fuel tax on clear gasoline and diesel in the Capital Regional District to 5.5 cents a litre, from 3.5 cents, effective April 1, 2018

### Tobacco Tax

The government proposes to increase tobacco tax rates to 27 cents per cigarette/gram of tobacco from 25 cents effective April 1, 2018.

### Luxury Vehicle Tax

The PST on new and used luxury vehicles will increase to 15% from 10% for vehicles worth between \$125,000 and \$150,000 and to 20% for vehicles worth \$150,000 or more effective April 1, 2018.

### New Provincial Caregiver Tax Credit

This new tax credit becomes effective in 2018. It will provide a maximum credit amount of \$4,556 to people caring for infirm dependents.

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