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# Tax Alert – Canada

## British Columbia budget 2025-26

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

“Budget 2025 is about standing strong for BC and making sure public services are there when we need them.

Now is the time to focus on what really matters to our communities and the people of our province.

It is time to protect the essentials and prepare for what comes next.”

*British Columbia Finance Minister Brenda Bailey  
2025-26 budget speech*

On 4 March 2025, British Columbia Finance Minister Brenda Bailey tabled the province’s fiscal 2025-26 budget. The budget contains several tax measures affecting individuals and corporations. The budget contains no new taxes and no income tax increases.

The minister anticipates a deficit of \$10.9 billion for 2025-26 and projects deficits for each of the next two years.

Following is a brief summary of the key tax measures.



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## Business tax measures

### Corporate income tax rates

No changes are proposed to the corporate income tax rates or the \$500,000 small-business limit.

British Columbia's 2025 corporate income tax rates are summarized in Table A.

**Table A - 2025 British Columbia corporate income tax rates<sup>1</sup>**

	BC	Federal and BC combined
Small-business tax rate <sup>2</sup>	2.00%	11.00%
General corporate tax rate <sup>2, 3</sup>	12.00%	27.00%

<sup>1</sup> The rates represent calendar-year-end rates unless otherwise indicated.

<sup>2</sup> The federal corporate income tax rates for manufacturers of qualifying zero-emission technology are reduced to 7.5% for eligible income otherwise subject to the 15% federal general corporate income tax rate or 4.5% for eligible income otherwise subject to the 9% federal small-business corporate income tax rate. These reductions are not reflected in the combined federal and British Columbia rates above.

<sup>3</sup> An additional tax applies to banks and life insurers at a rate of 1.5% on taxable income (subject to a \$100 million exemption to be shared by group members).

### Other business tax measures

The minister proposed the following business tax measures:

- ▶ A new major film or video production tax credit is proposed for BC production services tax credit claimants that have BC production costs exceeding \$200 million. The available credit will be 2% of the corporation's accredited qualified BC labour expenditures related to the production and may be claimed once the production is completed. The credit will be available for productions beginning principal photography on or after 1 January 2025.
- ▶ The BC government proposes a 5% increase in the basic Film Incentive BC tax credit (to 40%) and an 8% increase in the basic production services tax credit (to 36%), for productions with principal photography beginning on or after 1 January 2025. Although these increases were previously announced in a December 2024 news release, the increase in the Film Incentive BC tax credit is larger than the 1% increase originally announced.
- ▶ Amendments are being made to the existing regional and distant location supplemental tax credits to allow animation productions with workers present at a physical office to claim the credits, provided the workers meet certain in-office requirements. The amendments will apply to productions with principal photography beginning on or after 1 January 2025.

- ▶ The interactive digital media tax credit is being increased to 25% (from 17.5%), effective 1 September 2025, and the program is being made permanent.
- ▶ The deadline for qualifying expenditures for the clean buildings tax credit, which was set to expire on 31 March 2025, is being extended by one year to 31 March 2026.

## Personal tax

### Personal income tax rates

The budget does not include any changes to personal income tax rates.

The 2025 British Columbia personal income tax rates are summarized in Table B.

**Table B - 2025 British Columbia personal income tax rates**

First bracket rate	Second bracket rate	Third bracket rate	Fourth bracket rate	Fifth bracket rate	Sixth bracket rate	Seventh bracket rate
\$0 to \$49,279	\$49,280 to \$98,560	\$98,561 to \$113,158	\$113,159 to \$137,407	\$137,408 to \$186,306	\$186,307 to \$259,829	Above \$259,829
5.06%	7.70%	10.50%	12.29%	14.70%	16.80%	20.50%

For taxable income in excess of \$186,306, the 2025 combined federal-British Columbia personal income tax rates are outlined in Table C.

**Table C - Combined 2025 federal and British Columbia personal income tax rates**

Bracket	Ordinary income <sup>1</sup>	Eligible dividends	Non-eligible dividends
\$186,307 to \$253,414 <sup>2</sup>	46.12%	26.35%	40.40%
\$253,415 to \$259,829	49.80%	31.44%	44.64%
Above \$259,829	53.50%	36.54%	48.89%

<sup>1</sup> The rate on capital gains is one-half the ordinary income tax rate.

<sup>2</sup> The federal basic personal amount comprises two elements: the base amount (\$14,538 for 2025) and an additional amount (\$1,591 for 2025). The additional amount is reduced for individuals with net income in excess of \$177,882 and is fully eliminated for individuals with net income in excess of \$253,414. Consequently, the additional amount is clawed back on net income in excess of \$177,882 until the additional tax credit of \$239 is eliminated; this results in additional federal income tax (e.g., 0.32% on ordinary income) on net income between \$177,883 and \$253,414.

## Personal tax credits

This budget proposes changes to the following personal credits/amounts:

- ▶ The BC Family Benefit is amended with respect to grieving families, effective 1 January 2025. Under the amendments, payments of the benefit will continue for six months following the death of a child.
- ▶ The deadline for qualifying expenditures for the clean buildings tax credit, which was set to expire on 31 March 2025, is being extended by one year to 31 March 2026.

Other personal tax measures include:

- ▶ The annual limit for the small business venture capital tax credit is being increased from \$120,000 to \$300,000 for investments an individual makes on or after 4 March 2025. The government is also temporarily increasing the total annual amount of tax credits that may be claimed under the program to \$53.5 million for the 2025 to 2027 calendar years.
- ▶ The training tax credit for individuals, which was set to expire at the end of 2025, is extended until the end of 2028. The credit is also amended to ensure it continues to be available to First Nations individuals and individuals with disabilities after the expiry of the federal Apprenticeship Incentive Grant on 31 March 2025.

## Provincial sales tax

Used zero-emission vehicles will no longer be exempt from provincial sales tax, effective 1 May 2025. This measure revises the previously announced timeline that would have brought an end to the current exemption in 2027.

## Other tax measures

### Mining tax

Budget 2025 announces the extension of the new mine allowance under the *Mineral Tax Act* and regulations by five years, until the end of 2030.

### Speculation and vacancy tax

The BC government proposes to change the speculation and vacancy tax rates, beginning 1 January 2026, as follows:

- ▶ Increase the rate to 1% (from 0.5%) for Canadian citizens and permanent residents who are not untaxed worldwide earners, and others.
- ▶ Increase the rate to 3% (from 2%) for foreign owners and untaxed worldwide earners, and others.

## Property tax and property transfer tax

Budget 2025 announces several new exemptions in connection with First Nations under various provincial property taxes.

- ▶ A property tax exemption is proposed, for the 2026 taxation year onwards, for lands and improvements in rural areas within a treaty designated foreshore area owned or held by the Modern Treaty First Nation or its public institutions.
- ▶ An exemption from provincial school property tax for First Nations' interests in eligible properties is also proposed, effective for the 2026 taxation year. Eligible properties will be those that are assessed as having no current use or whose use is for cultural or community purposes. Similarly, the government plans to exempt eligible properties for purposes of annual rural property tax.
- ▶ A new property transfer tax exemption has been introduced for a First Nation that is a band under the federal *Indian Act* that is already the beneficial owner of property and legal ownership is being transferred. The measure applies effective 21 May 2024, to land that was beneficially owned by First Nations before that date.

## Other technical amendments

Technical amendments are proposed to various provincial statutes, including the *Income Tax Act*, *Speculation and Vacancy Tax Act*, *Provincial Sales Tax Act*, and *Assessment Authority Act*. These amendments are generally intended to improve administrative effectiveness or enforcement, maintain the integrity of tax and revenue collection systems, or enhance legislative clarity or regulatory flexibility to preserve policy intent.

Of note, the technical amendments include the following changes.

- ▶ The BC *Income Tax Act* is amended:
  - ▶ Effective on Royal Assent to the amending legislation, to clarify the time when the Minister is required to pay interest on unpaid natural gas tax credit refunds that result from a subsequent Canada Revenue Agency assessment.
  - ▶ Effective 1 January 2013, to clarify that for purposes of the refundable sales tax credit, the income of an ineligible spouse or common-law partner must be included in calculating adjusted income.
- ▶ The *Provincial Sales Tax Act* is amended, effective on Royal Assent to the amending legislation, in order that the provincial sales tax payable on a vehicle a person brings into BC and registers in the province is reduced by the amount of any BC sales tax the person previously paid on the vehicle.
- ▶ The *Speculation and Vacancy Tax Act* is amended, effective 1 January 2019, to allow medical opinions and documents completed by nurse practitioners to be accepted in connection with health-related exemptions from the tax.

## Learn more

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